

APPRAISAL OF REAL PROPERTY

Estate of William Franklin

Mixed Use Property

1001 West Broadway

Minneapolis, Hennepin County, MN 55411

PREPARED FOR:

Mr. Trent Jaeger

Jaeger Law Office, PLC

4021 Vernon Avenue South, Suite 300

St. Louis Park, MN 55416

EFFECTIVE DATE OF THE APPRAISAL:

September 12, 2008

REPORT FORMAT

Summary

INTEGRATED COMMERCIAL APPRAISAL PARTNERS

File Number: 2008-0000-058



**Mixed-Use Property
Minneapolis, MN**

September 23, 2008

Mr. Trent Jaeger
Jaeger Law Office, PLC
4021 Vernon Avenue South, Suite 300
St. Louis Park, MN 55416

SUBJECT: Market Value Appraisal
Mixed-Use Property
1001 West Broadway
Minneapolis, Hennepin County, MN 55411
Integrated Commercial Appraisal Partners File No. 2008-0000-058

Dear Mr. Jaeger:

Integrated Commercial Appraisal Partners is pleased to submit the accompanying appraisal of the referenced property. The purpose of this appraisal is to develop an opinion of the market value of the fee simple estate of the property as of September 12, 2008, the effective date of the appraisal.

This report complies with the reporting requirements for a summary appraisal report set forth under Standards Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice (USPAP)*. As such, it presents only summary discussions of the data, reasoning, and analyses that are used in the appraisal process. Supporting documentation concerning the data, reasoning, and analyses is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal as noted herein.

The site has an area of 0.11 acres; it is improved with a three-story mixed-use building containing 10,594 square feet of gross building area. As of the effective date of the appraisal, the property is unoccupied and has been condemned by the City of Minneapolis. The building was at one time a mixed use facility with retail on the main floor and apartment units on the two upper floors. The west wall of the building is structurally compromised. Based on a conversation with Thomas Dugan, Manager of Problem Properties, City of Minneapolis, the structural repairs needed would cost a minimum of \$500,000 (based on architectural bid in 2006). In addition, it would require a minimum of approximately \$400,000 (\$45 per square foot) to renovate the interior of the building. Renovations are necessary to bring the property to a leasable condition. The cost of renovations does not include hazardous material removal, which may be necessary. Based on this information, the cost of repairs would exceed building value, after renovations. Therefore, the property valuation is based on land value, less the costs to raze the building.

Mr. Trent Jaeger
Jaeger Law Office, PLC
September 23, 2008
Page 2

Based on the analyses and conclusions in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed herein, it is our opinion that the market value of the Fee simple estate of the property, as of September 12, 2008, is

SIX THOUSAND DOLLARS
(\$6,000)

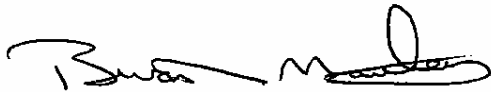
The preceding value conclusion is subject to the following Extraordinary Assumption:

1. The value does not include any hazardous waste removal costs.

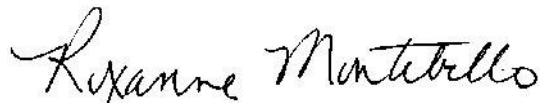
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRATED COMMERCIAL APPRAISAL PARTNERS



Brian L. Manthey
Certified General Real Estate Appraiser
Minnesota Certificate #4002714



Roxanne Montebello
Registered Real Estate Appraiser
Minnesota Certificate #20585521

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PART ONE

| | |
|--|--|
| Property | Mixed-Use Property 1001 West Broadway Minneapolis, Hennepin County, MN 55411 |
| Census Tract Number | 1029.00 |
| Property Tax Identification Number(s) | 16-029-24-14-0168 |
| Owner of Record | William Franklin |
| Date of the Report | September 23, 2008 |
| Effective Date of the Appraisal | September 12, 2008 |
| Land Area | 0.11 acres; 4,868 square feet |
| Gross Building Area (GBA) | 10,594 square feet |
| Current Occupancy | Unoccupied and condemned |
| Year Built | 1880 |
| Zoning Designation | C-2 |
| Floodplain Map Panel Number and Date | 27053C0356E; 9/2/2004 |
| Floodplain Designation | X - Outside of 100-year flood plain |
| Real Estate Taxes, Year 2008 | \$4,712 |
| Highest and Best Use as Improved | Raze current building/Redevelopment |
| Property Rights Appraised | Fee simple estate |
| Estimated Exposure Time and Marketing Period | 6 to 12 months; 6 to 12 months |
| Market Value Indications: | |
| Sales Comparison Approach | \$6,000 |
| Market Value Conclusion of Land, Less Razing Costs: | \$6,000 |

The preceding value conclusion is subject to the following Extraordinary Assumption:

1. The value does not include any hazardous waste removal costs.

PART TWO

Sales Comparison Approach-Land Sales:

| | |
|---|-------------------------------|
| Number of Sales | 5 |
| Range of Dates of Sale | August, 2006 - November, 2007 |
| Range of Prices per Square Foot (Unadjusted) | \$3.64 - \$10.33 |
| Range of Prices per Unit (Adjusted) | \$4.44 - \$13.25 |
| Indicated Value by Sales Comparison Approach | \$7.75 (per SF of Land) |

GENERAL INFORMATION

IDENTIFICATION OF SUBJECT

The property is a three-story mixed use building that is currently unoccupied and has been condemned by the City of Minneapolis. The street address is 1001 West Broadway, Minneapolis, MN 55411. The site has an area of 0.11 acres, or 4,868 square feet. It is further identified by the assessment office as 16-029-24-14-0168.

CURRENT OWNERSHIP AND SALES HISTORY

According to Hennepin County records the owner of record is William Franklin, deceased.

To the best of our knowledge, no other sale or transfer of ownership has occurred within the past three years, and as of the effective date of this appraisal, the property is not subject to an agreement of sale or option to buy.

PURPOSE, PROPERTY RIGHTS AND EFFECTIVE DATE

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, September 12, 2008. "Market value" is defined in the addenda. Unless otherwise stated, all factors pertinent to a determination of value are considered as of this date.

INTENDED USE AND INTENDED USER

This appraisal report is prepared for Mr. Trent Jaeger, Jaeger Law Office, PLC, 4021 Vernon Avenue South, Suite 300, St. Louis Park, MN, for use in determining market value of property. It is not intended for any other use or user.

APPLICABLE REQUIREMENTS

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP)
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

SCOPE OF WORK

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

VALUATION METHODOLOGY

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

| APPROACHES TO VALUE | | |
|--------------------------------|--------------------------|-------------------|
| Approach | Applicability to Subject | Use in Assignment |
| Cost Approach | Not applicable | Not used |
| Sales Comparison Approach | Applicable | Used |
| Income Capitalization Approach | Not applicable | Not used |

The **sales comparison approach** is the most reliable valuation method for the subject due to the following:

- There is an active market for properties similar to the subject, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.
- This approach is typically most relevant for owner-user properties.

The **income approach** is not applicable to the subject because:

- The property is currently unoccupied and has been condemned. It has significant structural deficiencies and is not able to be occupied in its current state.

The **cost approach** is not applicable to the subject considering the following:

- The age and condition of the property makes estimates of accrued depreciation very subjective. The subject has extensive structural deficiencies.
- This approach is not typically used by market participants, except for new properties.

OTHER RESEARCH AND ANALYSIS

Additional steps taken to gather, confirm, and analyze relevant data, are detailed in individual sections of the report.

PROPERTY INSPECTION

We physically inspected the property and the surrounding market area. Brian L. Manthey conducted a complete interior and exterior inspection of the property on September 12, 2008.

REPORT FORMAT

The report is prepared under the summary report option of Standards Rule 2-2(b) of USPAP. As such, it contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process whereas supporting documentation is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

ECONOMIC ANALYSIS

REGIONAL ANALYSIS SUMMARY

The subject property is located in a Central City in the Minneapolis/St. Paul metropolitan area. A brief description summarizing the important characteristics of this type of geographic planning area follows.

DEVELOPMENT PATTERN

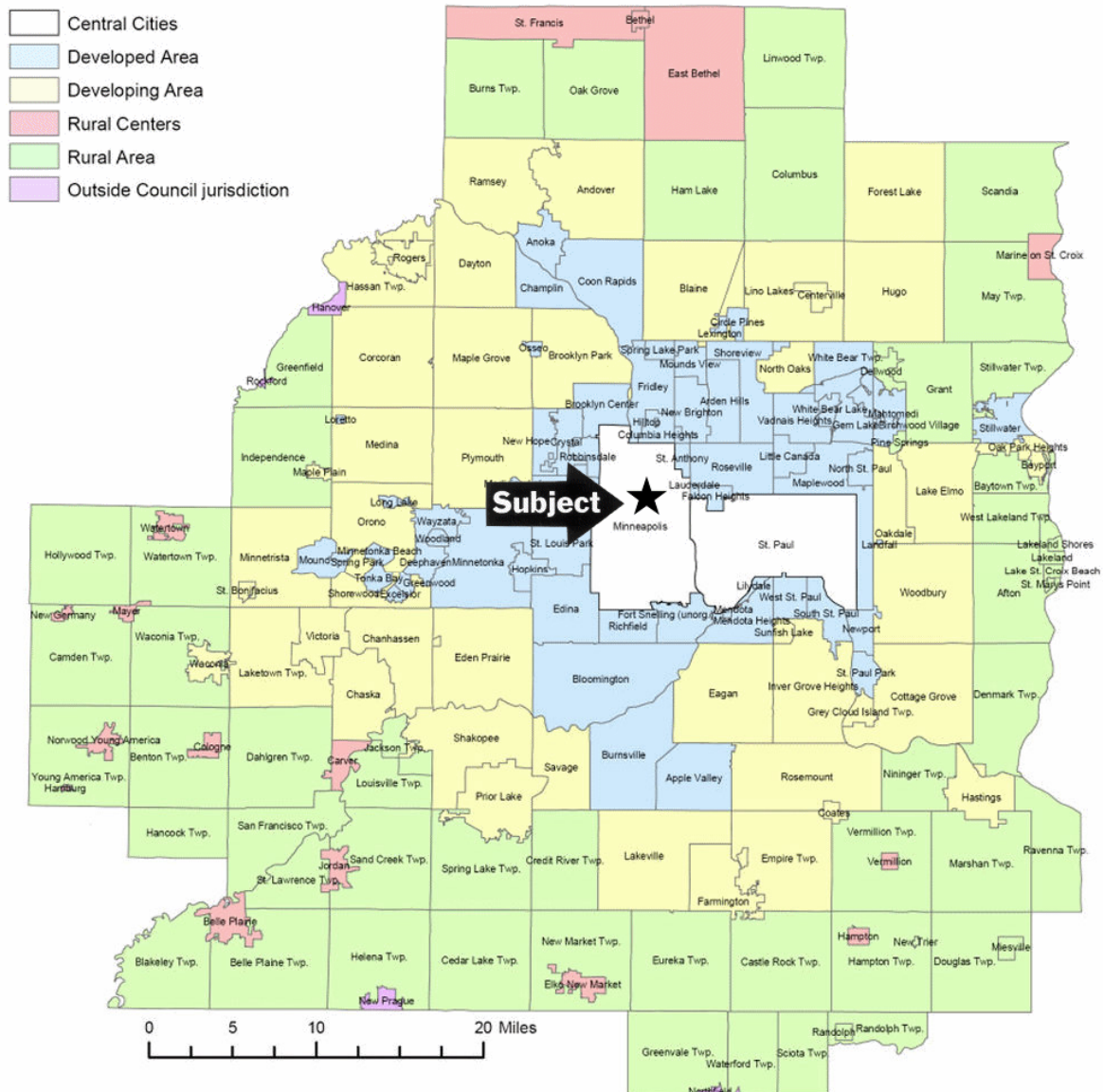
Minneapolis and St. Paul began their existence on the banks of the Mississippi River in the late 1840's and within 20 years became important lumber cutting, milling and manufacturing centers. Similar to other older Midwestern and Eastern cities that evolved before automobiles were in common use, the Minneapolis/St. Paul area grew into an urbanized region. A regional planning agency called the Metropolitan Council was created in 1967 to help facilitate smart growth for the seven-county metropolitan area. The Metropolitan Council discusses the following geographic planning areas in their 2030 Regional Development Framework.

- **Central Cities:** Minneapolis and St. Paul
- **“Developed Communities** are cities where more than 85% of the land is developed, infrastructure is well established and efforts must go toward keeping it in good repair. These communities have the greatest opportunities to adapt or replace obsolete buildings, improve community amenities, and remodel or replace infrastructure to increase their economic competitiveness and enhance their quality of life.”
- **“Developing Communities** are cities where the most substantial amount of new growth – about 60 percent of new households and 40 percent of new jobs – will occur. The amount of infill and redevelopment and the way in which new areas are developed directly influence when and how much additional land in Developing Communities will need urban services – services that will call for substantial new regional and local investments.”
- **Rural Areas** are cities and townships that are predominantly rural in character.
- **“Rural Centers** are small towns located throughout the Rural Areas. Rural Centers include residential neighborhoods surrounding a center that provides basic consumer services and community activities.”

The map on the following page shows the above geographic planning areas in the seven-county metropolitan area.

DEVELOPED AREAS MAP

Twin Cities Metropolitan Area
Regional Framework 2030 Planning Areas*



*Generalized to whole municipalities.

Throughout most of their history, Minneapolis and St. Paul have been even rivals. But in the last 20 years, Minneapolis has surpassed St. Paul as a commercial center for three main reasons:

1. Minneapolis has been highly successful with downtown urban renewal projects.
2. More and larger affluent residential areas (where high ranking business executives live) are concentrated closer to Minneapolis than St. Paul.
3. The interstate highway system on the Minneapolis side of the Mississippi River was completed before the St. Paul side was finished.

As a result of these circumstances, new development and population growth is skewed more toward the developing ring suburbs west of Minneapolis and to those southern suburbs with good freeway access to Minneapolis. However, the east metro area also continues to grow in both population and employment.

DEMOGRAPHICS

Unlike many other northern and eastern cities in the region commonly referred to as either the "Rust" or "Snow" Belt, the Minneapolis/St. Paul area has shown healthy gains in population, employment, households and income. Important statistics are summarized as follows:

DEMOGRAPHIC TRENDS MINNEAPOLIS/ST. PAUL METRO AREA

| | 1980 | 1990 | 2000 | 2008 ⁴ | 2013 ⁴ | % Annual Change 2008-2013 |
|---|------------------------|------------------------|------------------------|-------------------|-------------------|---------------------------------|
| Population | 2,113,533 ¹ | 2,538,834 ² | 2,968,806 ² | 3,318,028 | 3,546,090 | 1.34% |
| Households | 762,376 ¹ | 960,170 ² | 1,136,615 ² | 1,287,749 | 1,379,322 | 1.38% |
| Employment | 1,019,009 ³ | 1,260,314 ³ | 1,619,473 ² | 1,738,596 | 1,887,587 | 1.66% |
| Median Household Effective Buying Income | \$22,788 ⁵ | \$33,773 ⁵ | \$50,028 ⁵ | \$56,116 | N/A | N/A |

¹ Source: US Census (10-county metro area)

² Source: US Census (13-county metro area)

³ Source: MN Dept. of Employment and Economic Development (7-county metro area)

⁴ Source: ESRI Forecasts (13-county metro area)

⁵ Source: Sales and Marketing Management (1980 & 1990 reflect 11-county metro area; 2000 reflects 13-county metro area)

TRANSPORTATION SYSTEMS

Transportations systems in the Twin Cities area are well developed, but include less mass transit than most metropolitan areas of similar population. The roadway systems include numerous Interstate freeways, including the east-west Interstate 94 and the north-south Interstate 35. Interstate 94 “divides” and forms a ring freeway system around the Twin Cities, with I-494 comprising the southern and western portion, and I-694 forming the northern portion. Interstate 94 also extends through downtown Minneapolis and St. Paul. Interstate 35 also divides into I-35W through downtown Minneapolis and I-35E through downtown St. Paul. The only other Interstate Highway in the area is the twelve-mile long I-394, which extends from downtown Minneapolis to the western suburb of Wayzata. All of these freeways are depicted in green on the map which follows this section of the report.

Numerous other freeways service the metro area, including U.S. highways and State of Minnesota highways, and are depicted in red on the map. Overall, transportation for trucks and automobiles is considered excellent in the Twin Cities area.

The Twin Cities area has long been served by an extensive bus system that reaches all developed areas in the seven-county metropolitan core. In 2004, the first light rail line opened, linking downtown Minneapolis with the International Airport and the Mall of America. Ridership has exceeded projections, and additional lines are in the planning stages. A commuter rail system is also being planned along between Big Lake in Sherburne County (northwest of the Twin Cities) and downtown Minneapolis. If successful, additional commuter lines are expected to follow as funding is available.

Commercial transportation systems include the Minneapolis/St. Paul International Airport, which is served by most major domestic airlines, and also Amtrak, with a station in St. Paul. Overall transportation system development is considered very good by residents of the Twin Cities area.

ECONOMIC BASE

Minneapolis/St. Paul has a relatively diverse economic base that allows the metro area to consistently remain under the national average unemployment rate. The diverse and strong local economy has also permitted the State and metro area governments to adopt a limited role in economic development. As of June 2008, the metro area seasonally-unadjusted unemployment rate was 5.1%, compared to the Minnesota average of 5.3% and the national average of 5.7%.

Minneapolis/St. Paul retains a sizeable manufacturing base that employs about one out of every 9.1 workers in the 7-county metro area. However, the highest concentration of employment is contained within the service industries. The percentage breakdown for employment by industry type is as follows:

EMPLOYMENT BY INDUSTRY CLASSIFICATION Minneapolis/St. Paul Metro Area

| Industry Classification | Total in (000) | Employment % of Total |
|---|-------------------|--------------------------|
| Natural Resources, Mining, and Construction | 76.1 | 4.2% |
| Manufacturing | 200.7 | 11.0% |
| Trade, Transportation, and Utilities | 339.1 | 18.5% |
| Information | 42.8 | 2.3% |
| Financial Activities | 144.6 | 7.9% |
| Professional and Business Services | 270.5 | 14.8% |
| Educational and Health Services | 258.8 | 14.1% |
| Leisure and Hospitality | 174.0 | 9.5% |
| Other Services | 76.8 | 4.2% |
| Government | 246.1 | 13.5% |
| Total* | 1,829.5 | 100.0% |

Source: MN Department of Employment and Economic Development, "Minnesota Employment Review"
July 2008 Issue (June 2008 data)

* Total may not equal the sum of the components due to rounding

Minneapolis/St. Paul's prosperity is due in part to its status as a regional commercial center serving Minnesota, North and South Dakota, western Wisconsin, northern Iowa and eastern Montana. As the largest metropolitan area in the Midwest west of Chicago and north of St. Louis, the Twin Cities region is an important distribution hub for the upper Midwest as well as a governmental and cultural center.

A listing of the largest employers in the Twin Cities area is included on the following page.

MAJOR EMPLOYERS

| # | Employer | Headquarter City | # of Employees* |
|----|----------------------------------|--------------------|-----------------|
| 1 | State of Minnesota | Saint Paul, MN | 55,422 |
| 2 | United States Federal Government | Saint Paul, MN | 33,624 |
| 3 | Target Corporation | Minneapolis, MN | 25,125 |
| 4 | Allina Health System | Minneapolis, MN | 22,690 |
| 5 | Wells Fargo & Co. | San Francisco, CA | 21,078 |
| 6 | Fairview Health Services | Minneapolis, MN | 19,000 |
| 7 | University of Minnesota | Minneapolis, MN | 18,899 |
| 8 | Wal-Mart Stores, Inc. | Benton, AR | 18,407 |
| 9 | 3M Co. | Maplewood, MN | 16,614 |
| 10 | Northwest Airlines Corp. | Eagan, MN | 11,655 |
| 11 | HealthPartners | Bloomington, MN | 9,896 |
| 12 | U.S. Bancorp | Minneapolis, MN | 9,500 |
| 13 | SuperValu, Inc. | Eden Prairie, MN | 9,453 |
| 14 | Park Nicollet Health Services | St. Louis Park, MN | 8,126 |
| 15 | Medtronic, Inc. | Fridley, MN | 8,010 |
| 16 | UnitedHealth Group | Minnetonka, MN | 8,000 |
| 17 | Hennepin County | Minneapolis, MN | 7,463 |
| 18 | Best Buy Co. Inc. | Richfield, MN | 7,289 |
| 19 | Boston Scientific | Natick, MA | 7,000 |
| 20 | HealthEast Care System | Saint Paul, MN | 6,900 |
| 21 | Thomson North American Legal | Eagan, MN | 6,800 |
| 22 | General Mills, Inc. | Golden Valley, MN | 6,000 |
| 23 | United Parcel Service, Inc. | Atlanta, GA | 5,709 |
| 24 | Ameriprise Financial, Inc. | Minneapolis, MN | 5,200 |
| 25 | North Memorial Health Care | Robbinsdale, MN | 5,161 |

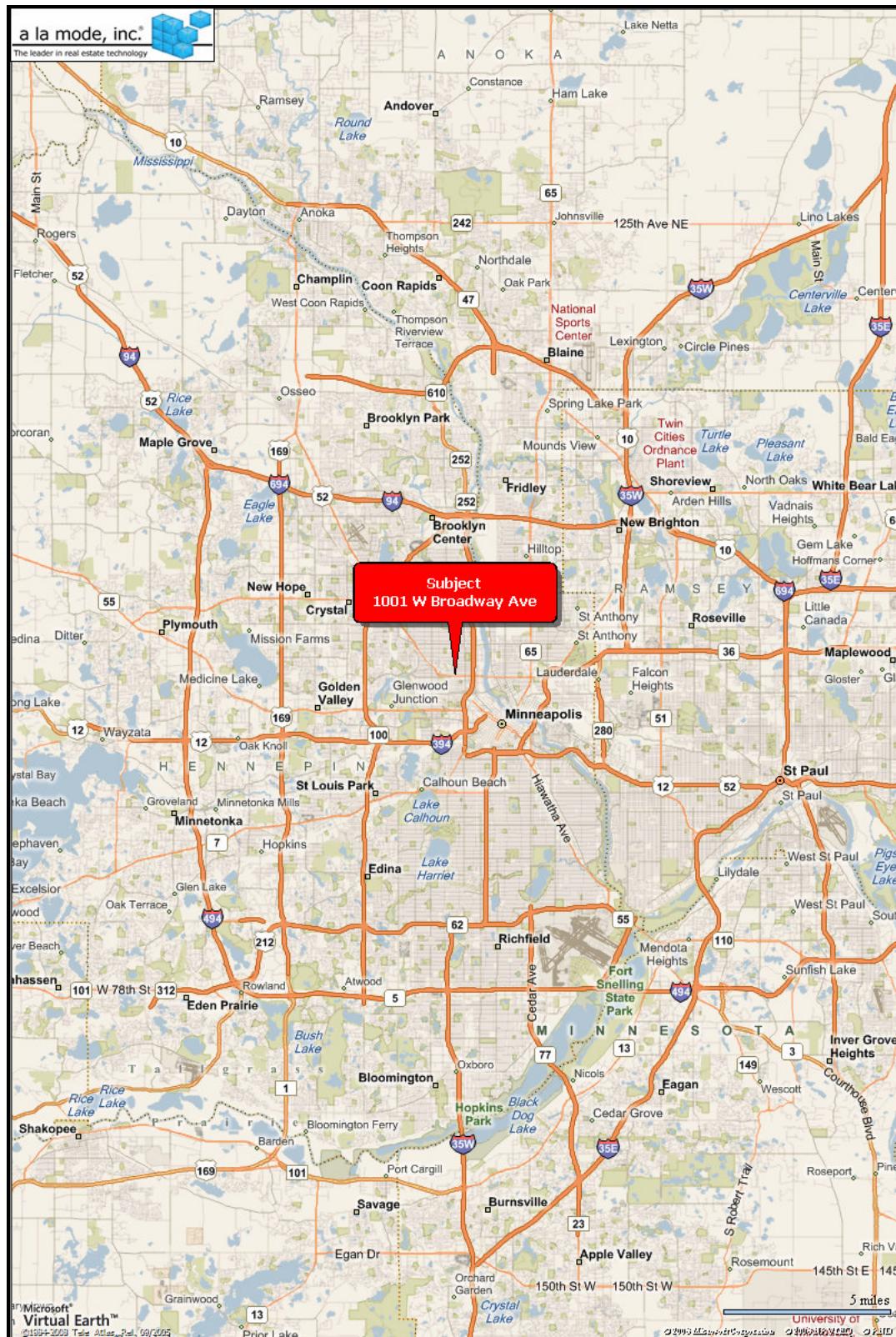
* # of employees is the total number employed by the company in the State of Minnesota.

Source: Minneapolis/St. Paul Business Journal; 2008 Book of Lists

CONCLUSION

The Minneapolis/St. Paul region is an affluent urban area of over 3.3 million people in the thirteen-county area that is consistently rated by demographers and business analysts as one of the most desirable metropolitan areas in which to live or work. As the largest urban area in the upper Midwest, the Twin Cities should always remain a major commercial, governmental and cultural center — thus allowing the region to remain prosperous and in a strong position to cope with the societal problems that affect almost every major urban area in the country.

GENERAL LOCATION MAP



COMMUNITY DESCRIPTION

INTRODUCTION

Located along the Mississippi River in eastern Hennepin County, Minneapolis was founded in the late 1840's because of its proximity to the Falls of St. Anthony--a short steep drop of the Mississippi River that provided an abundance of water power. Capitalizing on this power source, enterprising industrialists and businessmen turned Minneapolis into the flour milling center of the country by the end of the century.

Growing from this industrial base on the western shoreline of the Mississippi, Minneapolis not only expanded rapidly to the west, but also absorbed the original village of St. Anthony on the eastern shoreline. Today, Minneapolis comprises 37,331 acres of land area, or about 58 square miles. About one quarter of the city lies east of the Mississippi River, while the remainder is to the west.

Minneapolis has excellent accessibility to the remainder of the greater metropolitan area, the rest of Minnesota and the entire Midwest region. Major roads leading to and from the city consist of:

- the north/south oriented Interstate 35W
- the northwest/southeast oriented I-94 traveling roughly parallel with the Mississippi River through northern Minneapolis and connecting the city with St. Paul to the east
- Interstate Highway 394 extending west of downtown to the western suburbs of Minnetonka, Golden Valley and Wayzata
- State Highway 55 leading west and southeast from Minneapolis
- State Highway 65, a major state highway, leading north from Minneapolis

The Minneapolis/St. Paul International Airport is adjacent to the southeast corner of the city and is a major hub for Northwest Airlines. Over 700 commercial flights originate from the airport everyday.

DEMOGRAPHICS

Minneapolis and St. Paul are the central cities and core of the metropolitan region. Similar to other older, large central cities in the country, Minneapolis has experienced a declining population since the 1960's. As living standards increased, the completion of the interstate highways allowed a major exodus of people to the surrounding suburbs in search of newer, bigger and better housing. As more people moved to the suburbs, more industry and service employers moved with them. Minneapolis, with almost no vacant land for development, experienced only a 6.1% population increase from 1980 to 2008.

Population changes over the past several decades and year 2013 projections by ESRI for Minneapolis, Hennepin County, the 13-county metropolitan area, Minnesota, and the United States are shown in the following table.

POPULATION

| Area | 1980 | 1990 | 2000 | 2008 | 2013 | Annual % Change 2008-2013 |
|----------------------|-------------|-------------|-------------|-------------|-------------|---------------------------------|
| Minneapolis | 370,951 | 368,383 | 382,618 | 393,675 | 400,114 | 0.33% |
| Hennepin County | 941,411 | 1,032,431 | 1,116,200 | 1,162,862 | 1,190,113 | 0.46% |
| 13-County Metro Area | 2,198,190 | 2,538,834 | 2,968,806 | 3,318,028 | 3,546,090 | 1.34% |
| Minnesota | 4,075,970 | 4,375,099 | 4,919,479 | 5,357,700 | 5,636,868 | 1.02% |
| United States | 226,545,805 | 248,709,873 | 281,421,906 | 309,299,265 | 328,770,749 | 1.23% |

Source: 1980, 1990 & 2000 US Census; 2008 & 2013 forecasts by ESRI

The 2008 estimates by ESRI indicate 168,788 households within the city—a 4.3% increase from the 1980 Census count. ESRI forecasts a 0.4% increase in households, to 172,174, by 2013. Changes in the number of households are shown the table below.

HOUSEHOLDS

| Area | 1980 | 1990 | 2000 | 2008 | 2013 | Annual % Change 2008-2013 |
|----------------------|------------|------------|-------------|-------------|-------------|---------------------------------|
| Minneapolis | 161,858 | 160,682 | 162,352 | 168,788 | 172,174 | 0.40% |
| Hennepin County | 365,536 | 419,060 | 456,129 | 483,159 | 496,282 | 0.54% |
| 13-County Metro Area | 788,675 | 960,170 | 1,136,615 | 1,287,749 | 1,379,322 | 1.38% |
| Minnesota | 1,445,222 | 1,647,853 | 1,895,127 | 2,099,737 | 2,218,134 | 1.10% |
| United States | 80,776,000 | 91,947,410 | 105,480,101 | 116,384,754 | 123,932,585 | 1.26% |

Source: 1980, 1990 & 2000 US Census; 2008 & 2013 forecasts by ESRI

INCOME

Based on the ESRI data shown in the following table, the median household income in Minneapolis is projected to increase approximately 26.9% from \$52,443 in 2008 to \$66,554 in 2013. Approximately 52.6% of all households in Minneapolis are projected to earn more than \$50,000 in 2008.

Typical of central cities across the nation, household income in Minneapolis is significantly less than that of the metro area in general. Because Minneapolis' housing stock is much older than that of the surrounding suburbs, the city attracts lower income households that cannot afford new housing. Median household, average household and per capita income for Minneapolis, as well as distribution of households by income are shown in the tables below.

MINNEAPOLIS INCOME

| | 2000 | 2008 | 2013 |
|--------------------------|----------|----------|----------|
| Median Household Income | \$38,172 | \$52,443 | \$66,554 |
| Average Household Income | \$52,103 | \$72,468 | \$88,207 |
| Per Capita Income | \$22,685 | \$31,736 | \$38,697 |

Source: 2000 US Census; 2008 & 2013 forecasts by ESRI

**PERCENT DISTRIBUTION OF
HOUSEHOLDS BY INCOME
MINNEAPOLIS - 2008**

| Income Group | Percentage |
|--|-------------------|
| Less than \$15,000 | 11.9% |
| \$15,000 to \$24,999 | 9.7% |
| \$25,000 to \$34,999 | 10.8% |
| \$35,000 to \$49,999 | 15.1% |
| \$50,000 to \$74,999 | 20.7% |
| \$75,000 to \$99,999 | 11.0% |
| \$100,000 to \$149,999 | 13.5% |
| \$150,000 to \$199,999 | 3.2% |
| \$200,000 or more | 4.2% |
| <i>Source: ESRI Business Information Solutions</i> | |

EMPLOYMENT/ECONOMIC BASE

Although the city lags behind the metro area in median household income, Minneapolis still remains the economic hub of the metro area.

From the mid-1970's onward, city leaders have focused on revitalizing downtown Minneapolis, and, by our account, they have been extremely successful. The downtown area remains the largest concentrated area of office space in the metro area. Almost 35% of all office space in the seven-county metro area is in downtown Minneapolis according to CB Richard Ellis. Additionally, Minneapolis comprises the following:

- over 10% of the total industrial square footage in the seven-county metro area
- over 15% of the total retail sales in Hennepin County

Changes in average covered employment for the period 2003 through 2007, plus projections for the year 2010 are shown in the next table. Covered employment refers only to those workers whose employers contribute to the state unemployment insurance fund. According to the Department of Employment and Economic Development, this includes an estimated 97% of all state workers.

AVERAGE COVERED EMPLOYMENT - 2003 TO 2007

| Area | 2003 | 2004 | 2005 | 2006 | 2007 | % Change 2003-2007 | Projected 2010 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------------------------|---------------------------|
| Minneapolis | 285,997 | 284,933 | 287,064 | 292,314 | 292,280 | 2.2% | 317,000 |
| Hennepin County | 822,079 | 825,048 | 834,049 | 842,987 | 848,301 | 3.2% | 970,090 |
| 7-County Metro Area | 1,561,623 | 1,574,478 | 1,594,388 | 1,615,659 | 1,622,456 | 3.9% | 1,817,800 |
| 11-County Metro Area | 1,639,117 | 1,654,725 | 1,678,166 | 1,702,068 | 1,709,488 | 4.3% | N/A |
| Minnesota | 2,578,050 | 2,602,622 | 2,637,327 | 2,667,054 | 2,689,583 | 4.3% | N/A |

*Source: MN Department of Employment and Economic Development;
Projections by the Metropolitan Council*

Changes in average covered employment in Minneapolis by North American Industry Classification System (NAICS) super-sectors for the period 2003-2007 are summarized in the following table.

MINNEAPOLIS AVERAGE COVERED EMPLOYMENT – 2003 to 2007

| NAICS Code | Industry | 2003 | 2004 | 2005 | 2006 | 2007 | % Change 2003-2007 |
|------------|-----------------------------------|---------|---------|---------|---------|---------|--------------------|
| 1011 | Natural Resources & Mining | N/A | N/A | N/A | N/A | N/A | N/A |
| 1012 | Construction | 1,671* | 1,641* | 1,599* | 1,620* | 1,663* | -0.5% |
| 1013 | Manufacturing | 17,291 | 16,546 | 16,606 | 16,550 | 16,401 | -5.1% |
| 1021 | Trade, Transportation & Utilities | 41,333 | 41,395 | 40,237 | 38,210 | 36,042 | -12.8% |
| 1022 | Information | 12,542 | 11,548 | 11,494 | 11,055 | 10,841 | -13.6% |
| 1023 | Financial Activities | 33,237* | 33,193* | 33,907* | 34,654* | 33,743* | 1.5% |
| 1024 | Professional & Business Services | 56,373 | 56,434 | 57,896 | 61,457 | 62,552 | 11.0% |
| 1025 | Education and Health Services | 68,091 | 68,875 | 69,294 | 72,325 | 73,825 | 8.4% |
| 1026 | Leisure and Hospitality | 25,331* | 26,318* | 26,881* | 27,546* | 28,323* | 11.8% |
| 1027 | Other Services | 11,178* | 10,775* | 10,560 | 10,534* | 10,424* | -6.7% |
| 1028 | Public Administration | 13,260 | 12,840 | 12,969 | 12,673 | 12,960 | -2.3% |
| Total | All Industries | 285,997 | 284,933 | 287,064 | 292,314 | 292,280 | 2.2% |

*Total for all ownership types was not reported, this number is the sum of the ownership types that were reported.

Source: Minnesota Department of Employment and Economic Development

RETAIL SALES

With the opening of the 2.4 million square foot Mall of America in August 1992, located about ten miles south of downtown Minneapolis in Bloomington, the Minneapolis central business district (CBD) (and other regional retail areas) has faced significant competition for shopper patronage. Downtown retail has an inherent disadvantage due to the inability of providing free parking, an important feature in our auto dominant culture.

Still, downtown Minneapolis remains a vital area. Since 1990, the following major projects were completed that enhance the retail potential of the CBD:

- Target Center Sports/Concert Arena
- The newly expanded Minneapolis Convention Center
- 800+ room Hilton Hotel
- Gaviidae retail complex anchored by Saks Fifth Avenue Outlet and Neiman Marcus
- Several new office towers built in the 1990's and early 2000's
- Several large residential developments - including Laurel Village, Riverwest, The Metro Apartments, Grant Park Condominiums, and The Carlyle Condominiums
- Target retail and office tower
- Block E Retail and Entertainment

Retail sales for Minneapolis and other related areas are shown in the following table.

| RETAIL SALES - 2003 TO 2006 | | | | | |
|--|------------------|------------------|------------------|------------------|---------------------------------|
| Area | 2003 | 2004 | 2005 | 2006 | Annual % Change 2003-2006 |
| Minneapolis | \$2,599,433,915 | \$2,657,692,965 | \$3,045,971,149 | \$2,805,439,929 | 2.57% |
| Hennepin County | \$15,959,468,901 | \$17,175,874,406 | \$18,065,284,003 | \$18,223,448,897 | 4.52% |
| 7-County Metro Area | \$35,041,814,342 | \$37,913,213,557 | \$40,516,541,062 | \$41,116,297,489 | 5.47% |
| 11-County Metro Area | \$37,439,544,605 | \$40,567,555,265 | \$43,315,328,733 | \$44,330,698,926 | 5.79% |
| Minnesota | \$64,230,493,238 | \$69,238,988,179 | \$72,986,897,550 | \$73,860,206,805 | 4.77% |
| <i>Source: Minnesota Department of Revenue</i> | | | | | |

CONCLUSION

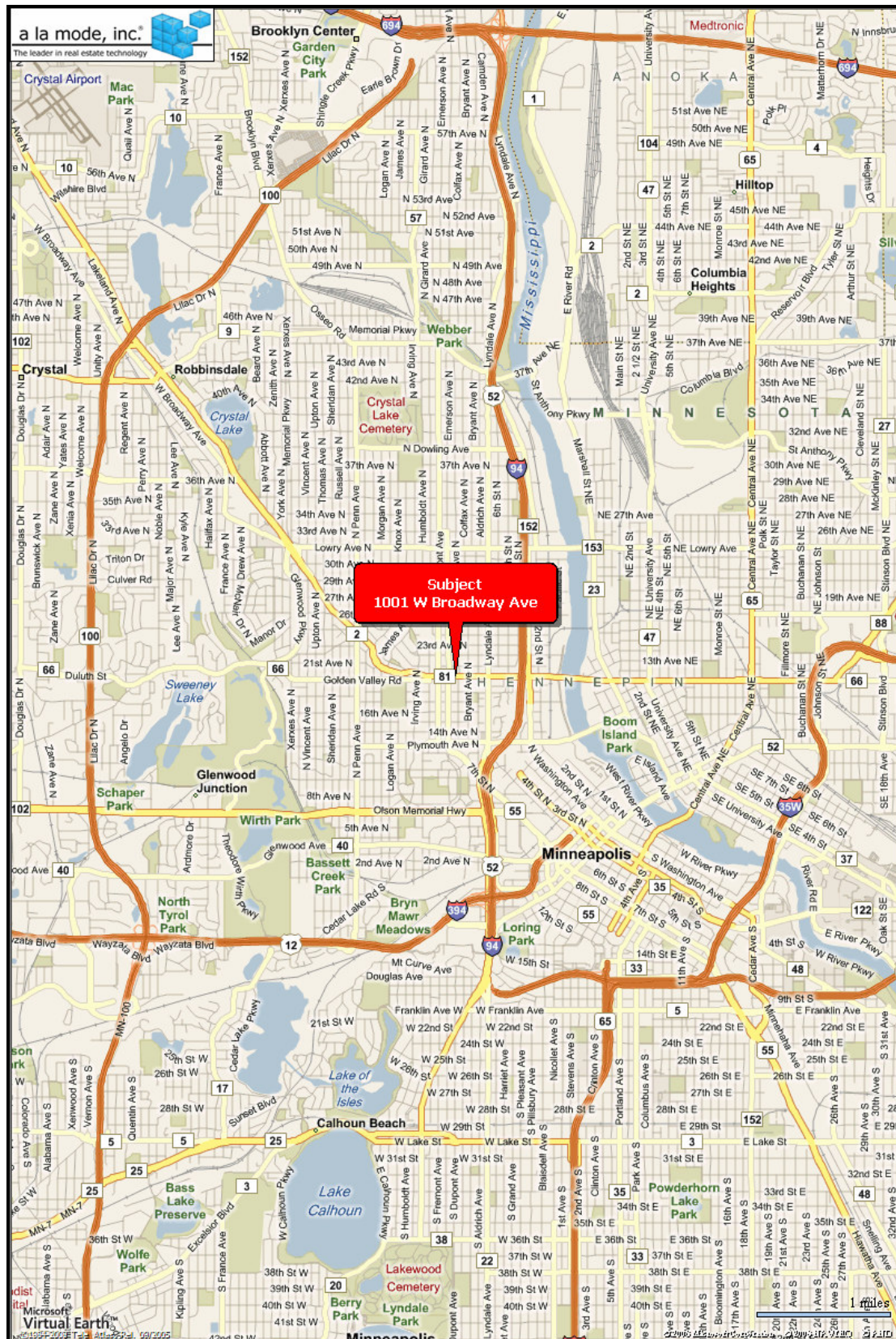
Minneapolis faces the same problems almost all other large Midwestern and Eastern cities face:

- aging housing stock
- an increased demand for services from an aging and less affluent population
- a lack of available vacant land to spur new development

However, Minneapolis has fared much better than many of these other cities. The downtown area remains a vital business/retail/entertainment and cultural center, and the public infrastructure remains in good condition. Also, population increased in Minneapolis during the past two decades and continues to increase after sharp declines in previous decades.

During the past five plus years, city leaders have started to devote more attention to revitalization of neighborhoods and communities within the city along with downtown. If community leaders approach the problem of neighborhood revitalization with the same energy and resources applied to the downtown, we believe Minneapolis will remain among the most desirable large cities in the United States—both as a place of residence and a place of employment.

COMMUNITY MAP



MARKET AREA ANALYSIS

The subject is located in the northwest part of the City of Minneapolis in an area known as Near North. The area is urban in character and approximately 100% developed.

Land use immediately surrounding the subject is predominantly commercial and residential with typical ages of building improvements ranging from new to 100+ years. Property types adjoining the subject include retail, commercial, and residential.

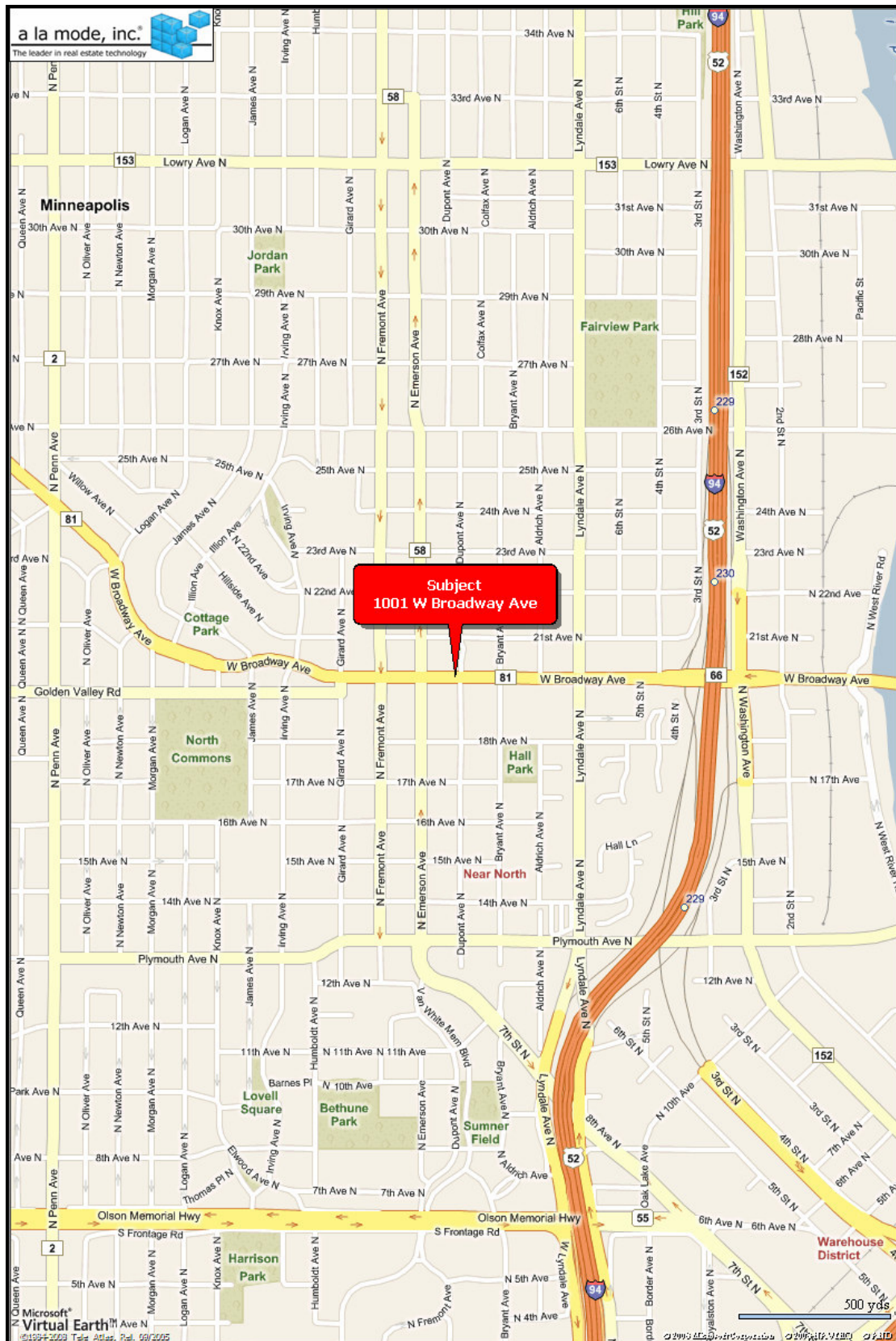
Primary highway access to the area is via Interstate 94. Public transportation is provided by Metro Area Transit and provides access to Minneapolis and surrounding communities. Overall, the primary mode of transportation in the market area is the automobile and bus.

Major employers include Target, Allina Health Systems, Fairview Health Services, and University of Minnesota.

Population of the market area is 388,020 as of 2007, representing a 1.5% increase from 2000. Looking forward, market area population is estimated to grow to 400,114 by 2013, reflecting a 3.1% increase. These rates of growth are less than those for the 13 county metropolitan area as a whole.

The market area is in the redevelopment stage of its life cycle. Recent development activity has been steady. In our opinion, property values will remain stable in the near future.

NEIGHBORHOOD MAP

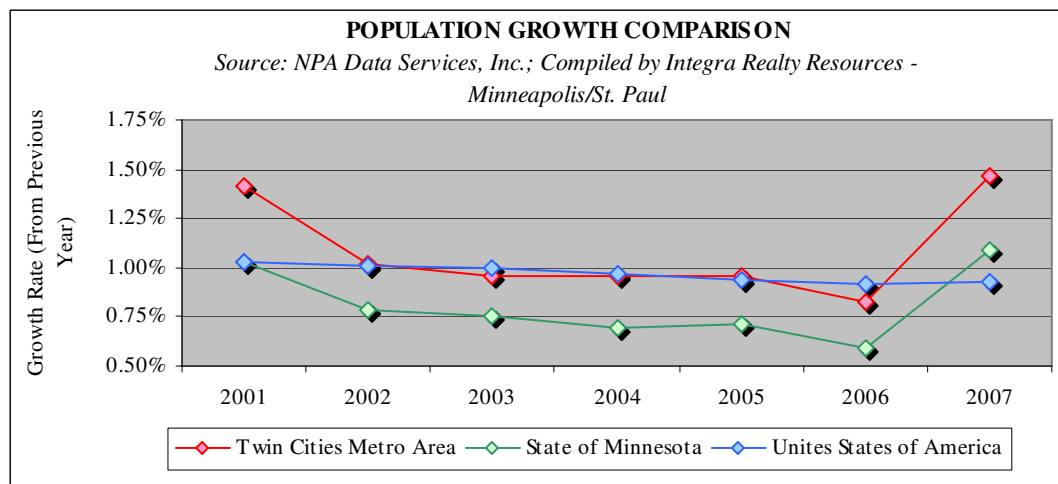


TWIN CITIES RETAIL MARKET ANALYSIS

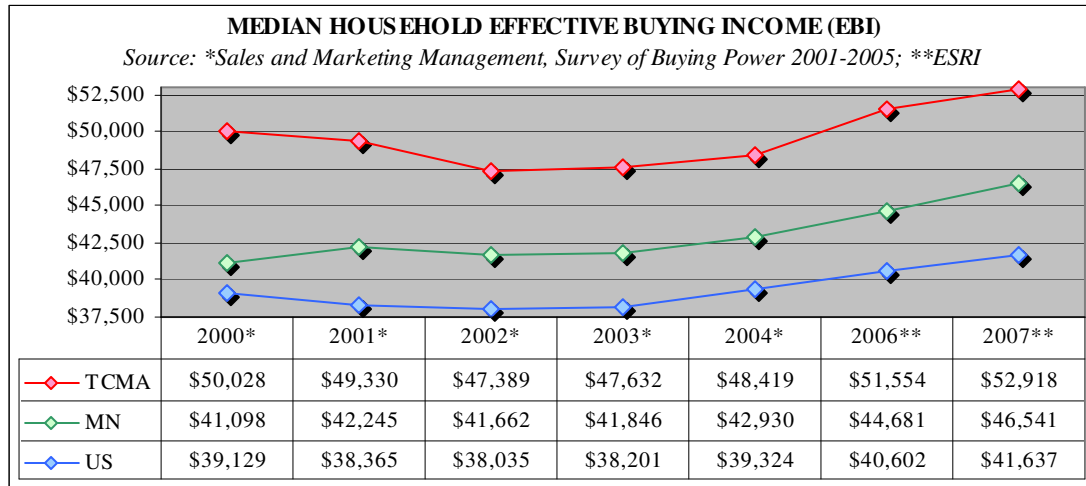
The Minneapolis/St. Paul metro area retail market consists of numerous multi-tenant shopping center properties and free standing retail stores. In this retail sector analysis we look at multi-tenant shopping center income-producing properties.

REGIONAL DEMOGRAPHICS

Demographics directly affect the retail real estate market. Growth in supply of retail space generally follows growth in population or effective buying income. Effective buying income reflects personal income minus taxes, or “disposable income”. The Minneapolis/St. Paul Metropolitan area population has been growing steadily over the last few years. With over 3.2 million people living in the metro area in 2007 it has been growing at a faster rate than both the state and the nation as a whole, as shown in the table below.



In 2007, median disposable income was reported at \$52,918 for the 13-county metro area, \$46,541 for Minnesota, and \$41,637 for the United States according to ESRI, Inc. The following table shows historical median household Effective Buying Income (EBI) as reported by *Sales and Marketing Management* magazine in their *Survey of Buying Power* annual publications. *Sales and Marketing Management* magazine discontinued the *Survey of Buying Power* after the 2005 issue.



SALES

The following table shows retail sales in the Twin Cities metropolitan area, the state of Minnesota and the United States over the past few years.

| HISTORIC RETAIL SALES (in \$ Thousands) | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 |
| 7-County Minneapolis-St. Paul Metro* | \$35,041,814 | \$37,913,214 | \$40,516,541 | \$41,116,297 |
| MSP Growth (%) over Prior Year: | N/A | 8.19% | 6.87% | 1.48% |
| State of Minnesota* | \$64,230,493 | \$69,238,988 | \$72,986,898 | \$73,860,207 |
| MN Growth (%) over Prior Year: | N/A | 7.80% | 5.41% | 1.20% |
| United States of America** | \$3,265,477,000 | \$3,474,340,000 | \$3,693,430,000 | \$3,904,305,000 |
| US Growth (%) over Prior Year: | 4.18% | 6.40% | 6.31% | 5.71% |

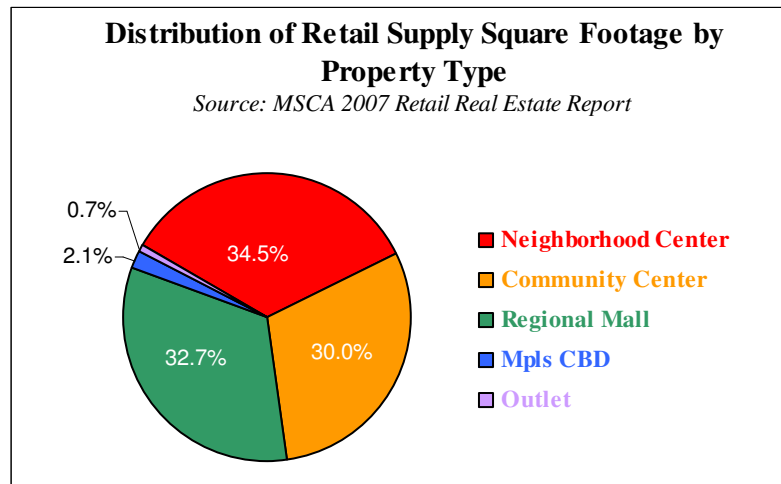
*Source: Minnesota Department of Revenue
**Source: US Census Bureau Annual Retail Trade Survey

REGIONAL SUPPLY OF RETAIL SPACE

The Minnesota Shopping Center Association (MSCA) reported in their 2007 Retail Real Estate Report that the total retail market supply now consists of about 61,321,528 square feet. According to *Viewpoint 2008* published by Integra Realty Resources, the Twin Cities metropolitan area is ranked as the sixteenth largest retail market in the United States. This current market supply consists of four categories of basic retail property types:

1. Neighborhood centers (about 30,000 – 149,999 sq ft.)
2. Community centers (about 150,000 – 399,999 sq ft.)
3. Regional malls (400,000 sq ft. and over)
4. Central business districts (CBDs) of Minneapolis and St. Paul

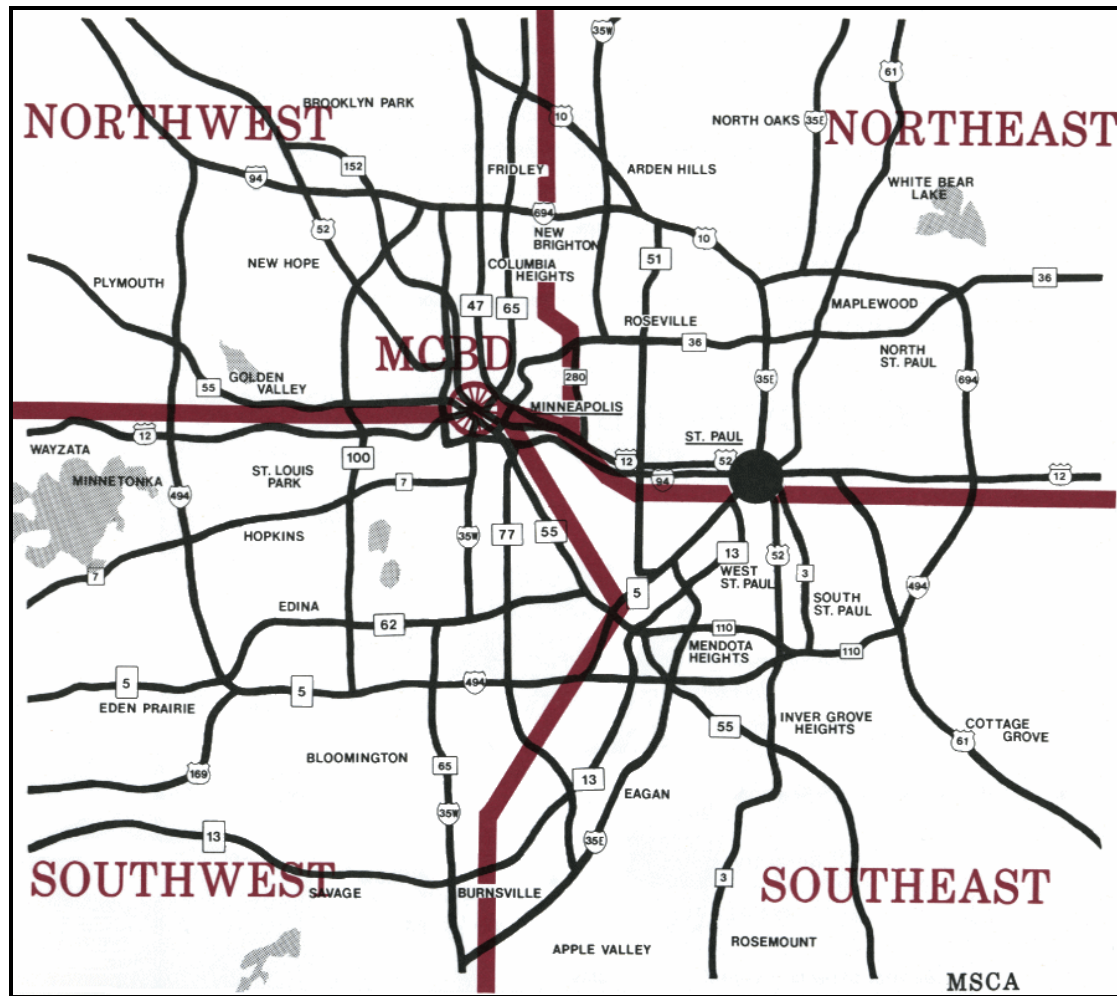
The distribution of this total square footage supply by property type is illustrated in the following chart.



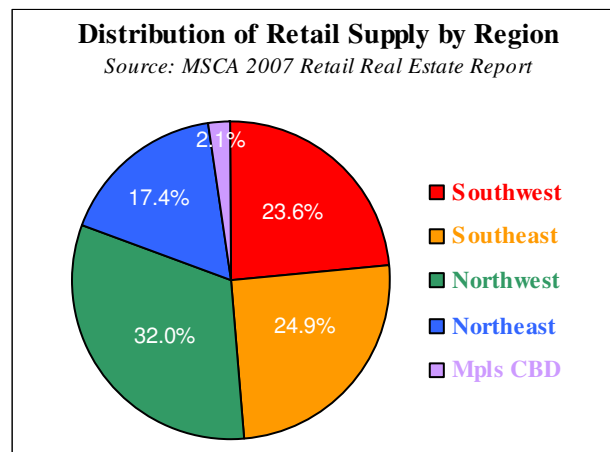
Another way of segmenting this total existing supply is to look at it by geographic regions. We use the same geographic areas as the MSCA market study report which divided this metropolitan area into four regions (southwest, northwest, northeast, and southeast) plus the two downtown central business districts. The geographic sectors are defined as:

1. **Southwest:** south of and including the I-394 freeway corridor, west of the Mississippi River, west of and including I-35W freeway corridor to the south.
2. **Northwest:** north of I-394 and west of the Anoka/Ramsey county line.
3. **Northeast:** north of and including the I-94 freeway corridor and east of the Anoka/Ramsey county line.
4. **Southeast:** south of I-94 and east of the Mississippi River and the I-35W freeway.

The map below illustrates this delineation of the total market into geographic sectors. The subject property is located in the northwest sector.



The following chart shows the distribution of this region's retail space by geographic sector, with the largest supplier being the northwest (32.0%) and the smallest being Minneapolis CBD (2.1%).



The supply of retail space has been increasing over the last several years. There are a number of firms and organizations that also research this retail real estate market. Reis Reports, Inc. is a private market research company specializing in real estate. The Minnesota Shopping Center Association (MSCA) sponsors a research study of this retail market and publishes their report once a year. Supply statistics from Reis, and the MSCA are summarized in the following table.

| MARKET RESEARCH REPORTS ON SUPPLY OF RETAIL SPACE | | | | | | |
|--|-------------|-------------|--------------|-------------|-------------|-------------|
| Reis Reports, Inc. * | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Estimated Supply in SF at year-end | 28,514,000 | 29,487,000 | 29,799,000 | 30,985,000 | 32,749,000 | 33,321,000 |
| Growth in Supply (SF) by year-end | 1,310,000 | 973,000 | 312,000 | 1,186,000 | 1,764,000 | 572,000 |
| Percent Change: | 4.8% | 3.4% | 1.1% | 4.0% | 5.7% | 1.7% |
| MN Shopping Center Assoc. | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Estimated Supply in SF at year-end | 49,828,669 | 49,943,272 | 57,004,100 | 58,059,383 | 58,123,506 | 61,321,528 |
| Growth in Supply (SF) by year-end | 1,070,998 | 114,603 | 7,060,828 | 1,055,283 | 64,123 | 3,198,022 |
| Percent Change: | 2.2% | 0.2% | 14.1% | 1.9% | 0.1% | 5.5% |
| * Reis data only includes Neighborhood and Community Centers | | | | | | |

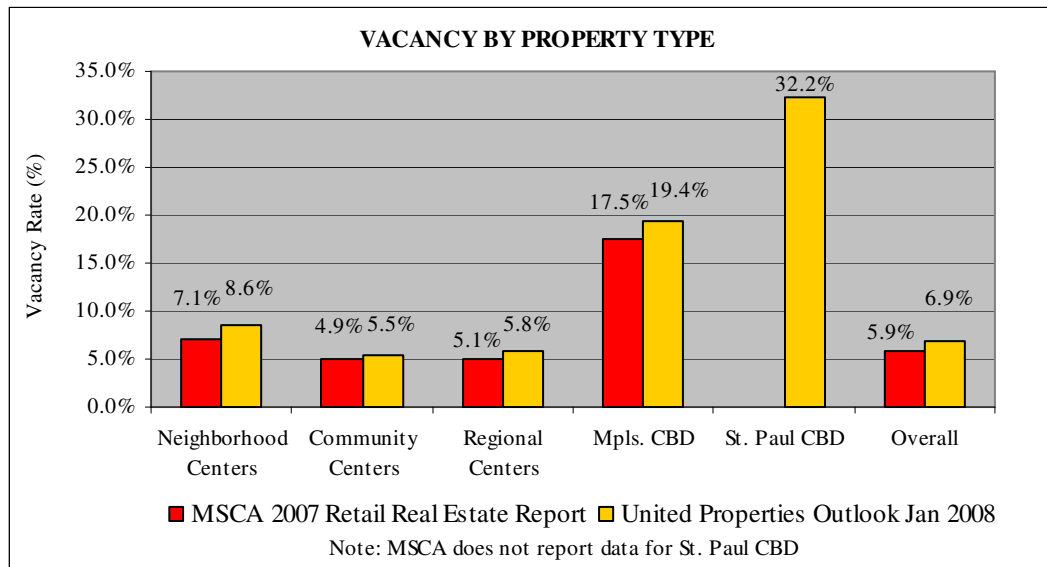
DEMAND AND ABSORPTION

The current demand (occupied square footage) for retail space as reported in the MSCA 2007 Retail Real Estate Report is about 57,703,558 square feet. The following table gives a summary of historical demand and absorption.

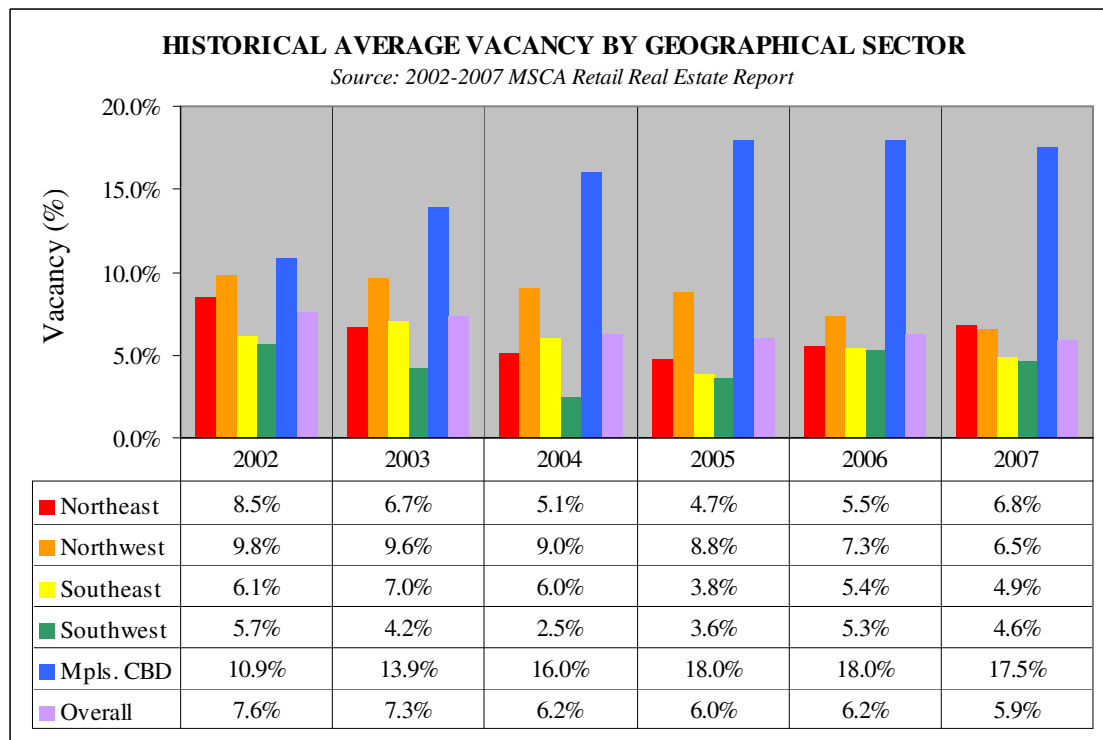
| MARKET RESEARCH REPORTS ON DEMAND OF RETAIL SPACE | | | | | | |
|--|-------------|-------------|--------------|-------------|--------------|-------------|
| Reis Reports, Inc.* | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Estimated Demand in SF at year-end | 26,887,000 | 27,839,000 | 28,079,000 | 29,201,000 | 30,346,000 | 30,821,000 |
| Net Absorption (SF) by year-end | 1,604,000 | 952,000 | 240,000 | 1,122,000 | 1,145,000 | 475,000 |
| Absorption as % of Existing Demand: | 6.0% | 3.4% | 0.9% | 3.8% | 3.8% | 1.5% |
| MN Shopping Center Assoc. | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Estimated Demand in SF at year-end | 46,041,690 | 46,297,413 | 53,469,846 | 54,575,820 | 54,519,849 | 57,703,558 |
| Net Absorption (SF) by year-end | 453,268 | 255,723 | 7,172,433 | 1,105,974 | (55,971) | 3,183,709 |
| Absorption as % of Existing Demand: | 1.0% | 0.6% | 13.4% | 2.0% | -0.1% | 5.5% |
| * Reis data only includes Neighborhood and Community Centers | | | | | | |

VACANCY

Vacancy rates combine demand and supply for space and generally measure the strength of the market. The table below shows the most recent vacancy rates from MSCA and United Properties.



Historical vacancy figures by geographical location and property type are summarized in the following tables.



HISTORICAL AVERAGE VACANCY BY PROPERTY TYPE

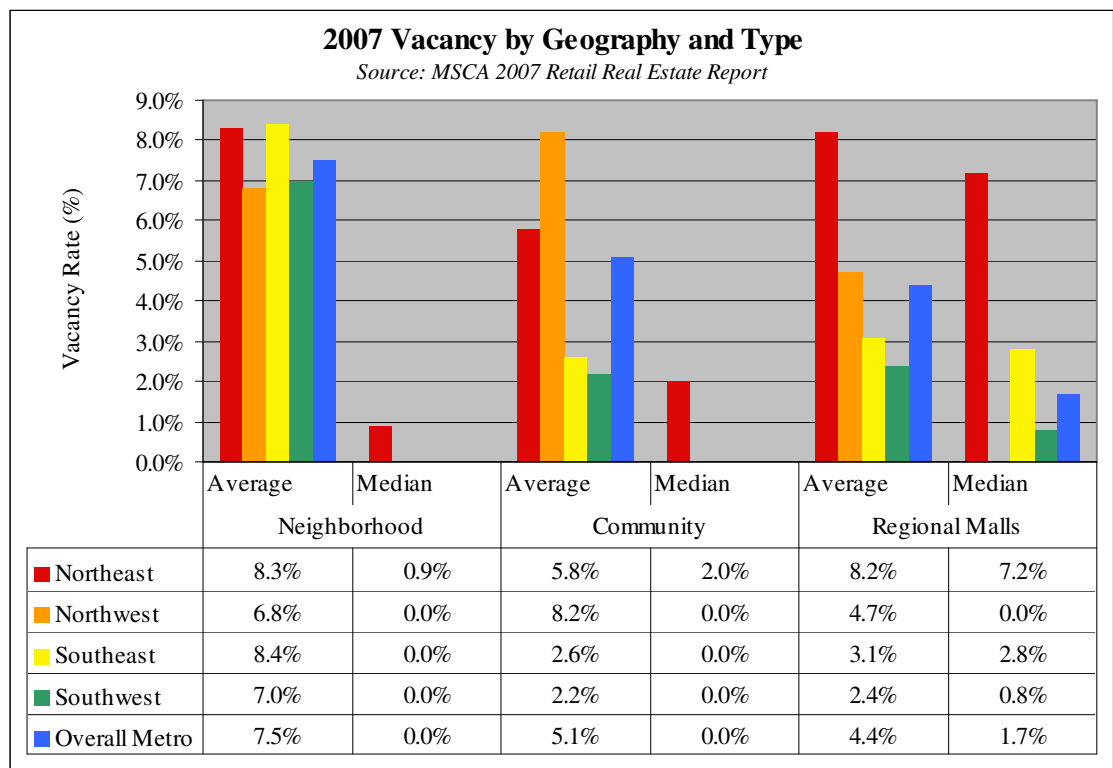
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|-------|-------|-------|-------|-------|-------|
| Neighborhood Centers | 7.5% | 7.2% | 6.2% | 6.3% | 7.5% | 7.1% |
| Community Centers | 8.9% | 6.9% | 3.6% | 3.5% | 3.4% | 4.9% |
| Regional Centers | 1.5% | 5.1% | 8.8% | 6.0% | 6.5% | 5.1% |
| Mpls. CBD | 10.9% | 13.9% | 16.0% | 18.0% | 18.0% | 17.5% |
| Overall | 7.6% | 7.3% | 6.2% | 6.0% | 6.2% | 5.9% |

Source: 2002-2007 MSCA Retail Report

Average vacancy decreased to 5.9% in 2007 from 6.2% in 2006. The decrease in vacancy occurred in neighborhood centers, regional centers and the Minneapolis CBD. Vacancy increased in community centers.

Usually median vacancy rates more closely reflect the market's condition in that the midpoint does not allow the results of any one property to skew the data. In 2007, the median vacancy rate was 0.0% for the overall metro area. A median vacancy rate of 0.0% indicates that **at least** half of the centers have no vacancy. MSCA data indicated that overall market median vacancy was 2.3% in 2006. Thus, median vacancy also supports that vacancy has decreased over the past year.

The following table shows the comparison of average and median vacancy rates in 2007 by geographical sector and property type.



Note that the 2007 Vacancy by Geography and Type statistics are calculated by Integra Realty Resources-Minneapolis/St. Paul based on MSCA source data.

RENTS

Rent ranges by property type are shown in the table below.

| Property Type | Rent Range Per SF |
|---|--------------------------|
| New Construction* | \$18.00 to \$32.00 |
| Neighborhood Centers | \$15.00 to \$32.00 |
| Community Centers | \$18.00 to \$35.00 |
| Regional Malls | \$20.00 to \$75.00 |
| Minneapolis CBD | \$15.00 to \$40.00 |
| <i>*Anchored or shadow anchored centers</i> | |

- Rents in this market are increasing modestly, forecasted to continue 2.0% - 3.0% over the next year.
- Typical tenants can expect occupancy costs (occupancy costs are total of rent, % rent, CAM and taxes) of 10-15% of gross annual sales.
- Big-box tenants can expect occupancy costs of 6-10% of gross annual sales.

TAXES AND COMMON AREA MAINTENANCE EXPENSES

Taxes and common area expenses have been increasing moderately. The table below shows their current ranges.

| Property Type | Taxes per SF | CAM per SF |
|---------------------------|---------------------|-------------------|
| Neighborhood Centers | \$1.50 to \$6.00 | \$1.50 to \$3.75 |
| Community Centers | \$1.50 to \$6.00 | \$2.00 to \$4.00 |
| Regional Malls | \$4.00 to \$10.00 | \$6.00 to \$15.00 |
| Central Business District | \$4.00 to \$7.00 | \$6.00 to \$15.00 |

INVESTMENT RATES

Capitalization rates and yield rates have been declining steadily, but are expected to increase as a lack of credit availability continues. The following table shows historical investment criteria.

| INVESTMENT CRITERIA - RETAIL MARKET; MINNEAPOLIS/ST. PAUL, MN | | | | | | |
|---|--------|--------|--------|-------|-------|-------|
| Regional Malls | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Discount Rate (unleveraged Yield - Y_o) | 11.50% | 10.00% | 10.00% | 9.00% | 8.00% | 7.75% |
| Market Rent Inflator per year | 2.50% | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% |
| Expense Growth Rate per year | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Reversion Cap Rate (R_t) | 9.50% | 9.00% | 9.00% | 7.50% | 7.00% | 7.00% |
| Going-In Cap Rate (R_o) | 9.00% | 8.50% | 8.50% | 6.50% | 6.25% | 6.25% |
| Community Centers | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Discount Rate (unleveraged Yield - Y_o) | 11.25% | 10.00% | 10.00% | 9.00% | 8.50% | 8.25% |
| Market Rent Inflator per year | 2.50% | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% |
| Expense Growth Rate per year | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% | 3.00% |
| Reversion Cap Rate (R_t) | 9.50% | 9.00% | 8.00% | 8.00% | 7.00% | 7.00% |
| Going-In Cap Rate (R_o) | 9.25% | 8.50% | 7.50% | 7.00% | 6.50% | 6.50% |
| Neighborhood Strips | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Discount Rate (unleveraged Yield - Y_o) | 11.50% | 10.50% | 10.25% | 9.50% | 8.75% | 8.50% |
| Market Rent Inflator per year | 2.50% | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% |
| Expense Growth Rate per year | 2.50% | 2.50% | 3.00% | 3.00% | 3.00% | 3.00% |
| Reversion Cap Rate (R_t) | 10.00% | 9.50% | 8.50% | 8.00% | 7.25% | 7.25% |
| Going-In Cap Rate (R_o) | 9.75% | 9.00% | 8.00% | 7.00% | 6.75% | 6.75% |

Source: Market Research by Integra Realty Resources Minneapolis/St. Paul

The reader is cautioned that the above chart is of average rates only and the actual range of market pricing does result in spreads for each property type that can be quite wide.

SUMMARY

- Supply is now about 61 million square feet according to the MSCA 2007 Retail Real Estate Report.
- Supply is distributed as 30.0% Community Centers, 34.5% Neighborhood Centers, 0.7% Outlet Centers and 32.7% Regional Malls; Minneapolis CBD is approximately 2.1%.
- Supply is distributed as 23.6% Southwest Sector, 32.0% Northwest Sector, 17.4% Northeast Sector, 24.9% Southeast Sector, and 2.1% Minneapolis CBD.
- Metro area (13-County) estimated population stands at over 3.2 million; the population five-year compound annual growth rate is 1.0%.
- Median disposable income is now \$52,918 for the 13-county metro area.
- Demand is now about 57.7 million square feet according to data taken from the MSCA 2007 Retail Real Estate Report.

- The MSCA reports current overall vacancy rate in the metro area is 5.9%. Vacancy in the Northwest subject submarket is 6.5%.
- Typical market rents are \$15.00 to \$32.00 per square foot for Neighborhood Centers, \$18.00 to \$35.00 per square foot for Community Centers, and \$20.00 to \$75.00 per square foot for Regional Malls.
- Most retail tenants have overall occupancy costs of 10% to 15% of sales; big box tenants have overall occupancy costs of 6% to 10% of sales.

PROPERTY ANALYSIS

DESCRIPTION AND ANALYSIS OF THE LAND

PHYSICAL FEATURES

| | |
|----------------------|--|
| Land Area | 0.11 acres, or 4,868 square feet. |
| Configuration | Rectangular, 44.25' x 110' |
| Frontage Feet | 44.25' - West Broadway; 110' - Dupont Avenue North |
| Topography | Basically level |
| Drainage | Assumed adequate |

Floodplain

| | |
|--------------------------|--------------------------------------|
| Community Panel # | 27053C0356E, effective 9/2/2004 |
| Flood Zone | X - Outside of 100-year flood plain. |
| Flood Insurance | No |

Environmental Hazards

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. Our inspection of the site revealed possible contaminants on or near the property. Therefore, we would recommend an environmental inspection.

Ground Stability

A soil report was not provided for review; however, based on our inspection of the property and observation of development on nearby sites, we assume that the subject is not affected by any adverse soil conditions that would restrict it from being developed to its highest and best use.

ZONING

| | |
|----------------------|---|
| Designation: | C-2 |
| Description: | Neighborhood Corridor Commercial District |
| Permitted Uses: | General retail sales and services, limited production and processing, restaurant, indoor recreation area, clinic, theater, and all other uses as permitted by the City of Minneapolis |
| Zoning Jurisdiction: | City of Minneapolis |

| Lot Restrictions | Required | Provided |
|------------------------------|-----------------|-----------------|
| Minimum Lot Area | None | .11 acres |
| Minimum Lot Frontage | None | 44.25' |
| Building Restrictions | Required | Provided |
| Maximum Height | 4 stories | 3 stories |

Conformity:

Based on our inspection, a review of the site plan, and a discussion with the zoning official, the current use of the site constitutes a legally permissible use that conforms to the current zoning ordinance.

OTHER LEGAL AND REGULATORY CONSTRAINTS**Easements, Encumbrances, and Restrictions**

Although a title report was not provided for review, we are not aware of any easements, encumbrances, or restrictions that would adversely affect the use of the site. A title search is recommended to determine whether any adverse conditions exist. We assume that there are no easements, encumbrances, or restrictions that would restrict the property from being developed to its highest and best use.

Encroachments

We were not provided a survey; however, an inspection of the site revealed no apparent encroachments. It is assumed that the property is free and clear of encroachments.

Other Land Use Regulations; Development Moratoriums

We are not aware of any land use regulations other than zoning that would affect the property, nor are we aware of any moratoriums on development.

UTILITIES

| Utilities | Provider | Availability | Capacity |
|------------------|---------------------|---------------------|------------------|
| Water | City of Minneapolis | At site | Assumed adequate |
| Sewer | City of Minneapolis | At site | Assumed adequate |
| Electricity | Xcel Energy | At site | Assumed adequate |
| Natural Gas | Center Point Energy | At site | Assumed adequate |
| Local Phone | Qwest | At site | Assumed adequate |

DESCRIPTION AND ANALYSIS OF THE IMPROVEMENTS**EXTERIOR DESCRIPTION**

| | |
|------------------------------------|--|
| Name of Property | Estate of William Franklin |
| General Property Type | Mixed-Use |
| Property Sub Type | Retail/apartments |
| Occupancy Type | Vacant building |
| Size | |
| Gross Building Area (GBA) | 10,594 square feet |
| Basement Area | 1,749 square feet |
| Number of Buildings/Stories | One; Three |
| Current Occupancy | Unoccupied and condemned |
| Number of Tenants | None |
| Year Built | 1880 (128 years actual age) |
| Estimated Effective Age | 50 years |
| Estimated Economic Life | 50 years (per <i>Marshall Valuation Service</i>) |
| Structural Frame | Wood |
| Exterior Walls/Windows | Brick/stucco / Wood frame |
| Roof | Pitch and gravel. The interior inspection of the subject indicates extensive water damage at the date of inspection. |
| Special Features | None |

INTERIOR DESCRIPTION AND MECHANICAL SYSTEMS

| | |
|-----------------------------|--|
| Primary Building | The walls are sheetrock and paneling and the ceiling is stamped tin. The remaining light fixtures are fluorescent and incandescent. Upper floors have plaster walls and ceilings and hardwood floors. Many of the windows are broken and main floor windows are boarded up. A portion of the basement has some finishing, however, is in poor condition. The west wall of the building is structurally compromised and is a safety hazard. This is considered incurable functional obsolescence and the property is in poor condition overall. |
| HVAC | No functioning HVAC system at time of inspection. |
| Sprinklers | None |
| Elevators/Escalators | None. |

SITE IMPROVEMENTS

| | |
|-------------------------|----------------------|
| Parking | |
| Number of Spaces | Four |
| Type | Surface |
| Parking Ratio | 1 space per 2,650 SF |

IMPROVEMENTS ANALYSIS

| | |
|-----------------------------|---|
| Construction Quality | The quality of construction is average. |
| Condition | The condition of the improvements is poor overall. The property has been not been maintained and has been condemned. The building has incurable functional obsolescence. |
| Deferred Maintenance | Our inspection revealed significant deferred maintenance, consisting of broken windows, rotting wood, signs of leakage, missing floorboards, outdated electrical, no HVAC system, peeling paint, drywall and plaster. |
| Functional Utility | Our inspection did reveal significant items of functional obsolescence. The west wall is structurally compromised. |
| Personal Property | There are no items of personal property that would be significant to the overall valuation. |
| ADA Compliance | The property is assumed to not be ADA compliant. |
| Environmental | Possible hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. An environmental inspection would be recommended |

REAL ESTATE TAX ANALYSIS

Real estate taxes are a key determinant of value in Minnesota, because properties are taxed at rates that are higher than rates for comparable properties in neighboring states. Commercial properties are taxed at about 2% to 5% of the estimated “true” market value of the property each year. Taxes are paid one year in arrears in Minnesota, which means that the taxes payable in 2008 relate to the January 2, 2007 assessor’s estimated market values.

Relevant real estate tax data for taxes payable in 2008, based on assessor’s estimated market value (AEMV) as of January 2, 2007, is listed below:

| ASSESSOR'S ESTIMATED MARKET VALUE (As of January 2, 2007) | | | |
|--|------------|--------------------|-------------|
| PID Number | Land Value | Improvements Value | Total Value |
| 16-029-24-14-0168 | \$38,900 | \$135,600 | \$174,500 |

| REAL ESTATE TAXES PAYABLE (Payable 2008) | | | | |
|---|------------|---------------------|-----------------|-------------|
| PID Number | Base Tax | Special Assessments | Solid Waste Fee | Total Tax |
| 16-029-24-14-0168 | \$4,707.35 | \$6,684.53 | \$27.64 | \$11,419.52 |

According to Hennepin County, the first half of the 2008 real estate taxes are past due and a penalty of \$628.07 has been assessed. The second half is due by October 15, 2008. There are outstanding 2007 taxes of \$3,122.14 due on this property.

The effective tax rate equates to 2.70%. Based on our estimate of market value included herein, the subject’s current AEMV and real estate taxes are considered reasonable and in line with the market.

SPECIAL ASSESSMENTS

Special assessments are charges levied by the city and/or county on a property to pay for public infrastructure that directly benefits that property. In theory, the value of a property should increase at least by the amount of the special assessment.

Special assessments are often charged to property owners for public works such as streets and roads, water lines, sanitary sewer lines, storm sewer lines, and storm water retention areas.

According to the Hennepin County Treasurer’s Office, \$6,684.53 in special assessments are currently levied against the subject property for 2008.

Our value estimate assumes special assessments are paid in full.

HIGHEST AND BEST USE ANALYSES

AS THOUGH VACANT

- The only permitted uses under zoning that are consistent with prevailing land use patterns in the area are retail, restaurant, and other uses as permitted by the City of Minneapolis.
- There are no physical limitations that would prohibit development of any of these uses on the site.
- Present market conditions are modestly favorable to new development and it is our opinion that a newly constructed retail building on the site would have a value commensurate with its cost. Therefore, retail use is financially feasible.
- There is no reasonably probable use of the site would generate as high a residual land value as retail use.

Therefore, retail use is concluded to be the maximally productive use and thus the highest and best use of the site as though vacant.

AS IMPROVED

The existing retail building is unoccupied and produces no positive cash flow. Remodeling of the existing improvements would not be financially feasible. Therefore, we conclude that razing the current building and redeveloping the site is the highest and best use of the site as improved.

MOST PROBABLE BUYER

Taking into account the size and class of the property the likely buyer is a local or regional investor such as an individual, partnership, or an owner-user.

VALUATION ANALYSIS

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

| APPROACHES TO VALUE | | |
|--------------------------------|--------------------------|-------------------|
| Approach | Applicability to Subject | Use in Assignment |
| Cost Approach | Not applicable | Not used |
| Sales Comparison Approach | Applicable | Used |
| Income Capitalization Approach | Not applicable | Not used |

SALES COMPARISON APPROACH

It is our opinion that the current improvements do contribute value. Assuming the property is renovated, office space would rent for approximately \$10 per square foot and retail space would rent for approximately \$12 per square foot in subject area. Considering a vacancy and collection loss rate of 15%, which is typical for retail/office properties in this submarket, the net operating income would be approximately \$82,000. Cap rates for higher risk retail/office properties range from 8% to 12%. We feel a 10% cap rate is appropriate. Applying a cap rate of 10% to the net income of \$82,000 equals \$820,000 which is less than the estimated cost of renovations. Therefore, we use land value minus razing costs to develop an opinion of value.

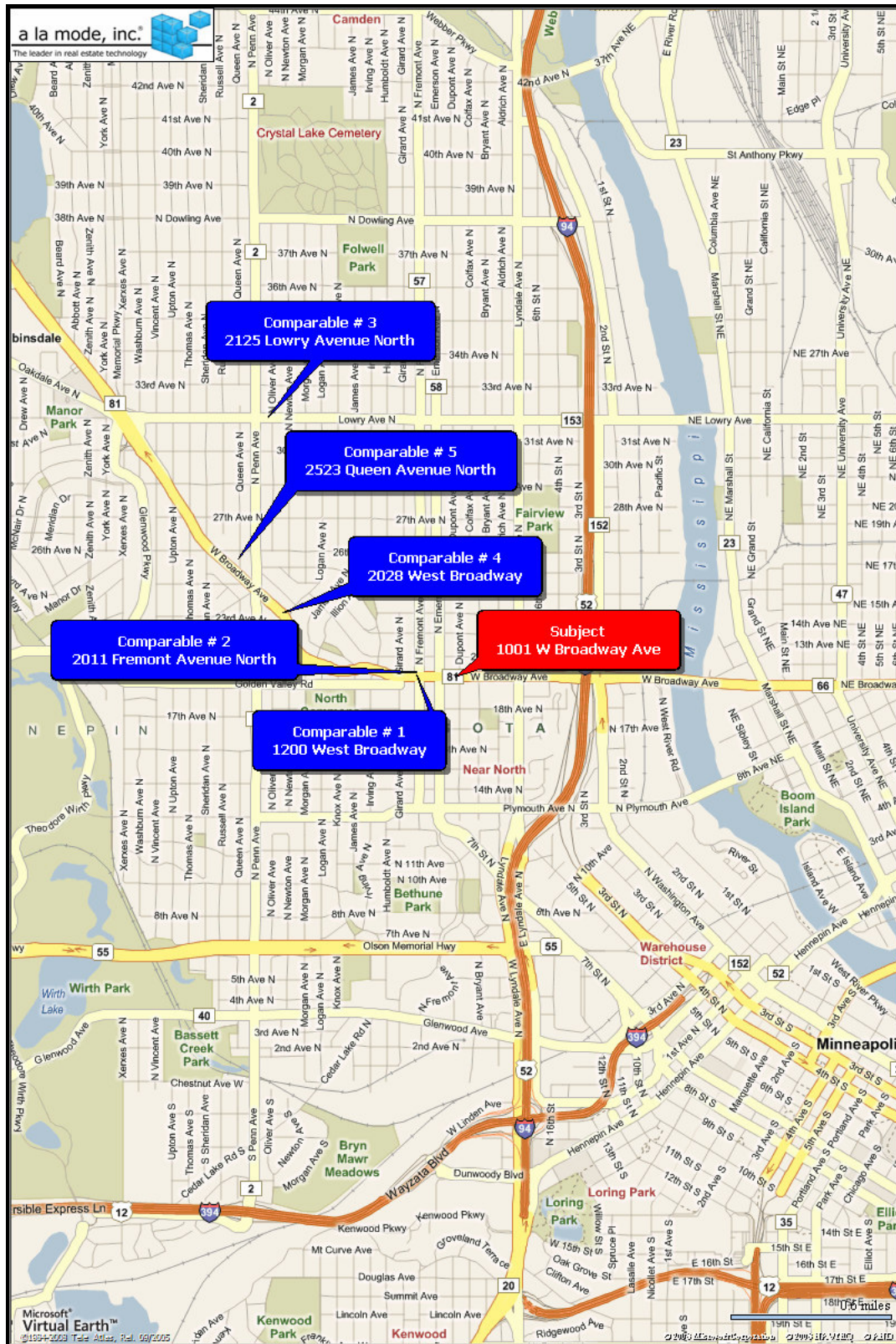
LAND VALUE ANALYSIS

To develop an opinion of the subject's land value, we analyze five sales of vacant land parcels on a price per square foot basis. The sales took place between August 2006, and November 2007, and reflect a range of unadjusted unit prices of \$3.64 to \$10.33 per square foot, summarized as follows:

SUMMARY OF COMPARABLE LAND SALES

| No. | Address | Sale Date | Sale Price | Square Feet | Price Per SF |
|----------------|---|-----------|------------|--------------|--------------|
| 1 | 1200 W. Broadway Minneapolis Hennepin County, MN <i>Comments: Property was in foreclosure at time of sale.</i> | 11/02/07 | \$126,761 | 15,700 | \$8.07 |
| 2 | 2011 Fremont Avenue North Minneapolis Hennepin County, MN <i>Comments: Property was in foreclosure at time of sale.</i> | 11/02/07 | \$123,618 | 11,962 | \$10.33 |
| 3 | 2125 Lowry Avenue North Minneapolis Hennepin County, MN <i>Comments: Property was purchased by adjacent property owner, but buyer indicated that this had no impact on purchase price.</i> | 03/19/07 | \$239,691 | 51,478 | \$4.66 |
| 4 | 2028 West Broadway Minneapolis Hennepin County, MN <i>Comments: Property was purchased by adjacent property owner, but buyer indicated that this had no impact on purchase price.</i> | 02/02/07 | \$23,500 | 4,750 | \$4.95 |
| 5 | 2523 Queen Avenue North Minneapolis Hennepin County, MN <i>Comments: Old building, built in 1933 w/ 1050 square feet had been razed. Property was purchased by adjacent property owner, but buyer indicated that this had no impact on sale price.</i> | 08/30/06 | \$17,500 | 4,810 | \$3.64 |
| SUBJECT | | | | 4,868 | |

COMPARABLE LAND SALES MAP



ANALYSIS AND ADJUSTMENT OF SALES

The adjustment process is typically applied through either quantitative or qualitative analysis, or a combination of the two. Quantitative adjustments are often developed as dollar or percentage amounts and are most credible when there are sufficient data to perform a paired sales or statistical analysis. While we present numerical adjustments in the Land Sales Adjustment Grid that follows, they are based on qualitative judgment rather than empirical data as there is not sufficient data to develop a sound quantified estimate within a reasonable degree of confidence. Our qualitative adjustments are based on a scale calibrated in 5% increments, with a minor adjustment considered to be 5% and a substantial adjustment considered to be 25%.

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is superior to the subject, the sale price is adjusted downward to reflect the subject's relative inferiority; if the comparable is inferior, its price is adjusted upward. The adjustable elements of comparison are:

Real Property Rights Conveyed

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties owned in fee simple and in leased fee.

In this analysis, no adjustments are required.

Financing Terms

This adjustment is generally applied to a property that transfers with atypical financing, such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage, which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price.

In this analysis, no adjustments are required.

Conditions of Sale

This adjustment category reflects extraordinary motivations of the buyer or seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value, or a quick sale for cash. This adjustment category may also reflect a distress-related sale, or a corporation recording a non-market price.

In this analysis, no adjustments are required.

Expenditures at Purchase

This adjustment is appropriate in situations where the sale price has been influenced by expenditures that the buyer intended to make immediately after purchase. Examples

include buyer-paid sales commissions, buyer-paid back taxes, and costs to demolish obsolete structures to clear a site for redevelopment.

In this analysis, no adjustments are required.

The previous adjustments, if required, are applied sequentially.

Time - Market Conditions

Real estate values normally change over time. The rate of this change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any, which have occurred between the date of the sale and the effective date of the appraisal.

When considering market conditions, we note that the sales took place from August 2006 and November 2007, and that market conditions generally have been strengthening over this period through the effective date of value. Accordingly, we apply upward adjustments of 3% per year to account for this trend.

Time - Market Conditions are applied after the previous adjustments but before any of the following adjustments.

Location

Location has a great impact on property values. This adjustment category considers general market area influences as well as a property's accessibility and visibility from a main thoroughfare.

In this analysis, comparables #2, #3 and #5 are adjusted up due to inferior visibility and access as compared to subject.

Physical Characteristics

This adjustment category generally reflects differences such as site size, configuration, availability of utilities, or topography.

In this analysis, comparables #1, #2 and #3 are adjusted up for their inferior (larger) size.

We compare each sale to the subject and adjust its unit price to compensate for all significant differences that affect value. Based on this analysis, the sales provide a range of values from \$4.44 to \$13.25 per square foot. It is our opinion that the applicable unit value is \$7.75 per square foot. This results in an indicated land value as follows:

| | |
|---|------------------|
| 4,868 Square Feet @ \$7.75 / Square Foot | \$37,727 |
| Adjustments | |
| Less Razing Costs | -\$31,782 |
| Indicated Land Value | \$5,945 |
| Rounded To | \$6,000 |

LAND SALES ADJUSTMENT GRID

| Sale No. Address | 1 | 2 | 3 | 4 | 5 |
|------------------------------|--|----------------------------------|--------------------------------|---------------------------|--------------------------------|
| | 1200 W. Broadway | 2011 Fremont Avenue North | Penn & Lowry Avenue | 2028 West Broadway | 2523 Queen Avenue North |
| Date of Sale | 11/02/07 | 11/02/07 | 03/19/07 | 02/02/07 | 08/30/06 |
| Sale Price | \$126,761 | \$123,618 | \$239,691 | \$23,500 | \$17,500 |
| # Square Feet | 15,700 | 11,962 | 51,478 | 4,750 | 4,810 |
| Price per SF | \$8.07 | \$10.33 | \$4.66 | \$4.95 | \$3.64 |
| Property Rights | -- | -- | -- | -- | -- |
| Financing Terms | -- | -- | -- | -- | -- |
| Conditions Of Sale | -- | -- | -- | -- | -- |
| Expenditures At Purchase | -- | -- | -- | -- | -- |
| Time/Market Conditions | 1.03 | 1.03 | 1.04 | 1.05 | 1.06 |
| Cumulative Adjustment Factor | 1.03 | 1.03 | 1.04 | 1.05 | 1.06 |
| Adjusted Price per SF | \$8.28 | \$10.60 | \$4.86 | \$5.19 | \$3.86 |
| Location | -- | +10% | +10% | -- | +15% |
| Physical Characteristics | +15% | +15% | +25% | -- | -- |
| Use | -- | -- | -- | -- | -- |
| Net % Adjustment | +15% | +25% | +35% | -- | +15% |
| Final Adjusted Price Per SF | \$9.53 | \$13.25 | \$6.57 | \$5.19 | \$4.44 |
| Range of Adjusted Prices | Min - \$4.44/Mean - \$7.79/Max - \$13.25 | | | | |
| Indicated Price per SF | \$7.75 | | | | |
| Subject Square Feet | 4,868 | | | | |
| Indicated Land Value | \$37,727 | | | | |
| Less Razing Costs | -\$31,782 | | | | |
| Final Indicated Land Value | \$5,945 | | | | |
| Rounded To | \$6,000 | | | | |

RECONCILIATION AND CONCLUSION OF VALUE

The value indication developed under the sales comparison approach is as follows:

| | |
|----------------------------------|----------------|
| Sales Comparison Approach | \$6,000 |
|----------------------------------|----------------|

The income approach is not applicable to the subject as the property is currently unoccupied and has been condemned. It has significant structural deficiencies and is not able to be occupied in its current state.

The cost approach is not applicable given the age and condition of the property, which makes estimates of accrued depreciation very subjective. The subject building has extensive structural deficiencies and contributes no value.

The sales comparison approach is the only reliable valuation method for the subject, as we are valuing the land only and sufficient land sales data is available for analysis.

Accordingly, it is our opinion that the market value of the fee simple estate of the subject as of September 12, 2008, is:

SIX THOUSAND DOLLARS
(\$6,000)

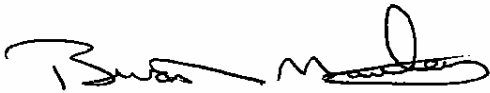
ESTIMATED EXPOSURE TIME AND MARKETING PERIOD

Based on recent sales transactions and interviews with market participants, it is our opinion that the probable exposure time for the property is 6 to 12 months. Because we foresee no significant changes in market conditions in the near term, it is our judgment that a reasonable marketing period is likely to be the same as the exposure time. Therefore, the subject's marketing period is estimated to be 6 to 12 months.

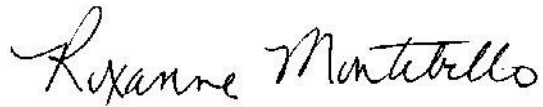
CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, which includes the *Uniform Standards of Professional Appraisal Practice (USPAP)*, and also in conformity with the appraisal regulations issued in connection with the *Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)*.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. Brian L. Manthey made a personal inspection of the property that is the subject of this report on September 12, 2008.
10. No one provided significant real property appraisal assistance to the person(s) signing this certification.
11. This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
12. We have not relied on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of *USPAP*.



Brian L. Manthey
Certified General Real Estate Appraiser
Minnesota Certificate #4002714



Roxanne Montebello
Registered Real Estate Appraiser
Minnesota Certificate #20585521

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

Our appraisal report is subject to the following limiting conditions, except as otherwise noted in our report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
11. Information, estimates and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual

- results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the *ADA* accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to *ADA*. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integrated Commercial Appraisal Partners is not a building or environmental inspector. Integrated Commercial Appraisal Partners does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against Integrated Commercial Appraisal Partners (ICAP), or their respective officers, owners, managers, directors, agents, subcontractors or employees (the "ICAP Parties"), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the ICAP Parties shall not be responsible or liable for an incidental or consequential damages or losses,

- unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the ICAP Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integrated Commercial Appraisal Partners, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Integrated Commercial Appraisal Partners, and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

The value conclusion is subject to the following Extraordinary Assumption:

1. The value does not include any hazardous waste removal costs.

ADDENDUM A

APPRAISER QUALIFICATIONS

**PROFESSIONAL QUALIFICATIONS OF
ROXANNE MONTEBELLO**

EXPERIENCE: Analyst for **Integra Realty Resources, Minneapolis – St. Paul.** Actively engaged in real property appraising since 2006. Experience includes valuation and analysis of projects for commercial, industrial, office, and multiple family and residential properties. Valuations and market studies have been done on proposed, partially completed, renovated and existing structures. Valuations have been performed on various properties including, but not limited to, retail establishments, office buildings, restaurants, bowling alleys, condominium complexes, special-use properties, single family homes, apartment complexes, right of way takings and vacant land for different uses.

PROFESSIONAL ACTIVITIES: Licensed: Minnesota Registered Real Property Appraiser License No. 20585521

EDUCATION: Metropolitan State University-Bachelors degree in business administration from the College of Management

Successfully completed real estate related courses and seminars sponsored by the Appraisal Institute and Prosource, including:

Intro to Construction Principles

Intro to Appraisal Principles I

Intro to Appraisal Practices I

Intro to Appraisal Practices II

National USPAP Course

2006 National USPAP Update Course

Minnesota Department of Transportation Right of Way Professional's Workshop

Analyzing Operating Expenses

Appraisal 106: Appraisal Investment and Financial Analysis

Appraisal 107: How to Perform FHA Appraisals Within New HUD Guidelines

General Appraiser Report Writing and Case Studies

General Appraiser Sales Comparison Approach

Successfully completed the following leadership/management courses:

Seven Habits of Highly Effective People

Four Roles of Leadership

Leading Out Loud

Situational Leadership

Project Management

Performance Management

**PROFESSIONAL QUALIFICATIONS OF
BRIAN L. MANTHEY**

| | |
|---------------------------------|---|
| EXPERIENCE: | Owner/Chief Appraiser for Appraisal Partners, Inc. and Analyst for Integra Realty Resources—Minneapolis/St. Paul of Minneapolis, Minnesota. Actively engaged in real estate valuation and consulting since 1992 owning/operating a private firm in the Minneapolis/St. Paul area. Experience includes valuation and analysis of residential real estate and commercial, industrial, office, multiple family, mixed-use, and special purpose properties. Clients served include private investors, lenders, and law firms. Valuations and market studies have been done on proposed, partially completed, renovated and existing structures. Valuations have been performed on various properties including, but not limited to, industrial office warehouses, retail establishments, office buildings, condominium complexes, special-use properties, single family homes, duplexes, triplexes, apartment complexes, and vacant land for different uses. |
| PROFESSIONAL ACTIVITIES: | Licensed: Minnesota Certified General Real Property Appraiser License No. 4002714 |
| EDUCATION: | <p>Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, including:</p> <p style="padding-left: 40px;">310 Basic Income Capitalization</p> <p style="padding-left: 40px;">410 National Uniform Standards of Appraisal Practice</p> <p style="padding-left: 40px;">530 Advanced Sales and Cost Approaches</p> <p>Successfully completed numerous real estate related courses and seminars sponsored by the University of Saint Thomas, including:</p> <p style="padding-left: 40px;">Foundation of Real Estate Investment Analysis and Valuation I</p> <p style="padding-left: 40px;">Foundation of Real Estate Investment Analysis and Valuation II</p> <p style="padding-left: 40px;">Foundations of Business Valuation</p> <p>Successfully completed numerous training seminars sponsored by Integra Realty Resources, including:</p> <p style="padding-left: 40px;">Argus Software Training</p> <p style="padding-left: 40px;">IRR MarketPoint™ Appraisal Software</p> <p style="padding-left: 40px;">IRR Interconnect™ Database Training</p> |

ADDENDUM B

DEFINITIONS

DEFINITIONS

These definitions have been extracted, solely or in combination, from definitions and descriptions printed in:

- *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, Chicago, Illinois, 2002 (*Dictionary*).
- *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, Chicago, Illinois, 2001 (*Twelfth Edition*).
- *Marshall Valuation Service*, Marshall & Swift, Los Angeles, California, (*MVS*).
- *Dollars & Cents of Shopping Centers: 2004*, Urban Land Institute, Washington, DC (*ULI*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance and repairs; usually a long-term lease to a credit tenant. (*Dictionary*)

Deferred Maintenance

Curable, physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past. (*Dictionary*)

Entrepreneurial Incentive

A market-derived figure that represents the amount an entrepreneur expects to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. (*Twelfth Edition*)

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (*Dictionary*)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (*Dictionary*)

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

Gross Building Area (GBA)

The total floor area of a building, measured from the exterior of the walls, including below-grade and basement space but excluding unenclosed areas. (*Twelfth Edition*)

Gross Leasable Area (GLA)

The total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent. (*Dictionary*)

Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all or most of the property's operating expenses and real estate taxes. (*Dictionary*)

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. (*Dictionary*)

Insurable Value

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. (*MVS*)

Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. (*Dictionary*)

Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. (*Dictionary*)

Market Rent

The rental income a property would probably command in the open market; indicated by the current rents that are either paid or asked for comparable space as of the date of the appraisal. (*Twelfth Edition*)

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and

knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (*Dictionary; 12 CFR Part 34.42[g]*)

Marketing Time

1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. (*Dictionary*)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay most, but not all, of the property's operating expenses and real estate taxes. (*Dictionary*)

Net Lease

Generally a lease in which the tenant pays for utilities, janitorial services, and either property taxes or insurance, and the landlord pays for maintenance, repairs, and the property taxes or insurance not paid by the tenant. Also called *single net lease*, *modified gross lease*, and *semi-gross lease*; sometimes used synonymously with *single net lease* but better stated as a *partial net lease* to eliminate confusion. (*Dictionary*)

Net Net Lease

Generally a lease in which the tenant pays for utilities, janitorial services, property taxes, and insurance in addition to the rent, and the landlord pays for maintenance and repairs. Also called *double net lease*, *NN*, *modified gross lease*, and *semigross lease*; sometimes used synonymously with *single net lease* but better stated as a *partial net lease* to eliminate confusion. (*Dictionary*)

Net Net Net Lease

A net lease under which the lessee assumes all expenses of operating a property, including both fixed and variable expenses and any common area maintenance that might apply, but the landlord is responsible for structural repairs. Also called *triple net lease* or *NNN* but better stated as a *fully net lease*. (*Dictionary*)

Prospective Value Opinion

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. *(Dictionary)*

Stabilized Occupancy

Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy which an income-producing real estate project is expected to achieve under competent management, after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. *(Dictionary)*

Value As Is

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. *(Dictionary)*

ADDENDUM C

SUBJECT PHOTOGRAPHS



Subject-Front
(Photo Taken on 9/12/008)



Subject-Rear
(Photo Taken on 9/12/008)



Street View-Dupont facing North
(Photo Taken on 9/12/008)



Street View-Dupont facing South
(Photo Taken on 9/12/008)



Street-West Broadway facing West
(Photo Taken on 9/12/008)



Street-West Broadway facing East
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior
(Photo Taken on 9/12/008)



Bathroom
(Photo Taken on 9/12/008)



Interior
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



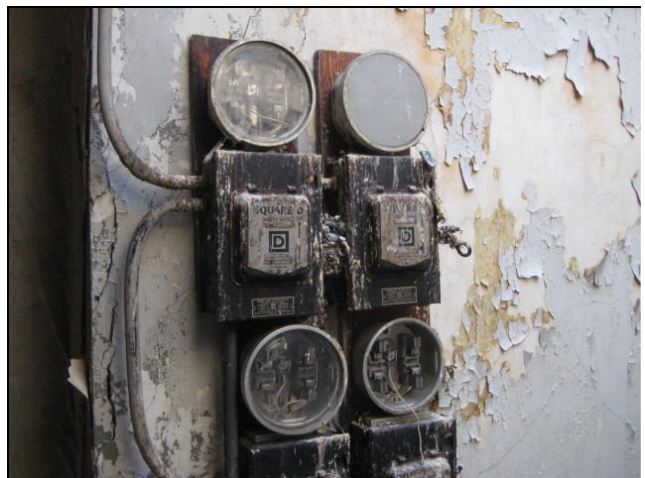
Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Interior-Deferred Maintenance
(Photo Taken on 9/12/008)



Mechanicals
(Photo Taken on 9/12/008)

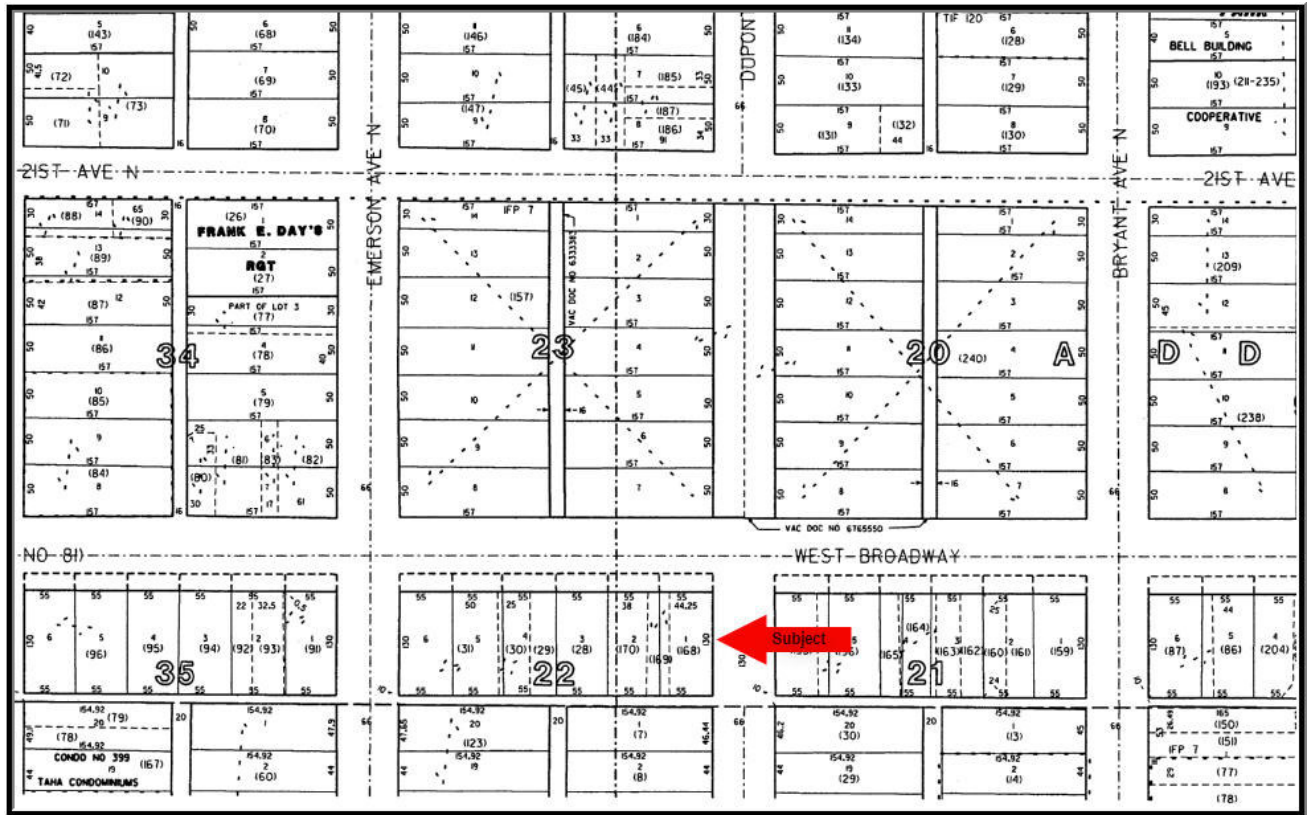
ADDENDUM D

PROPERTY INFORMATION

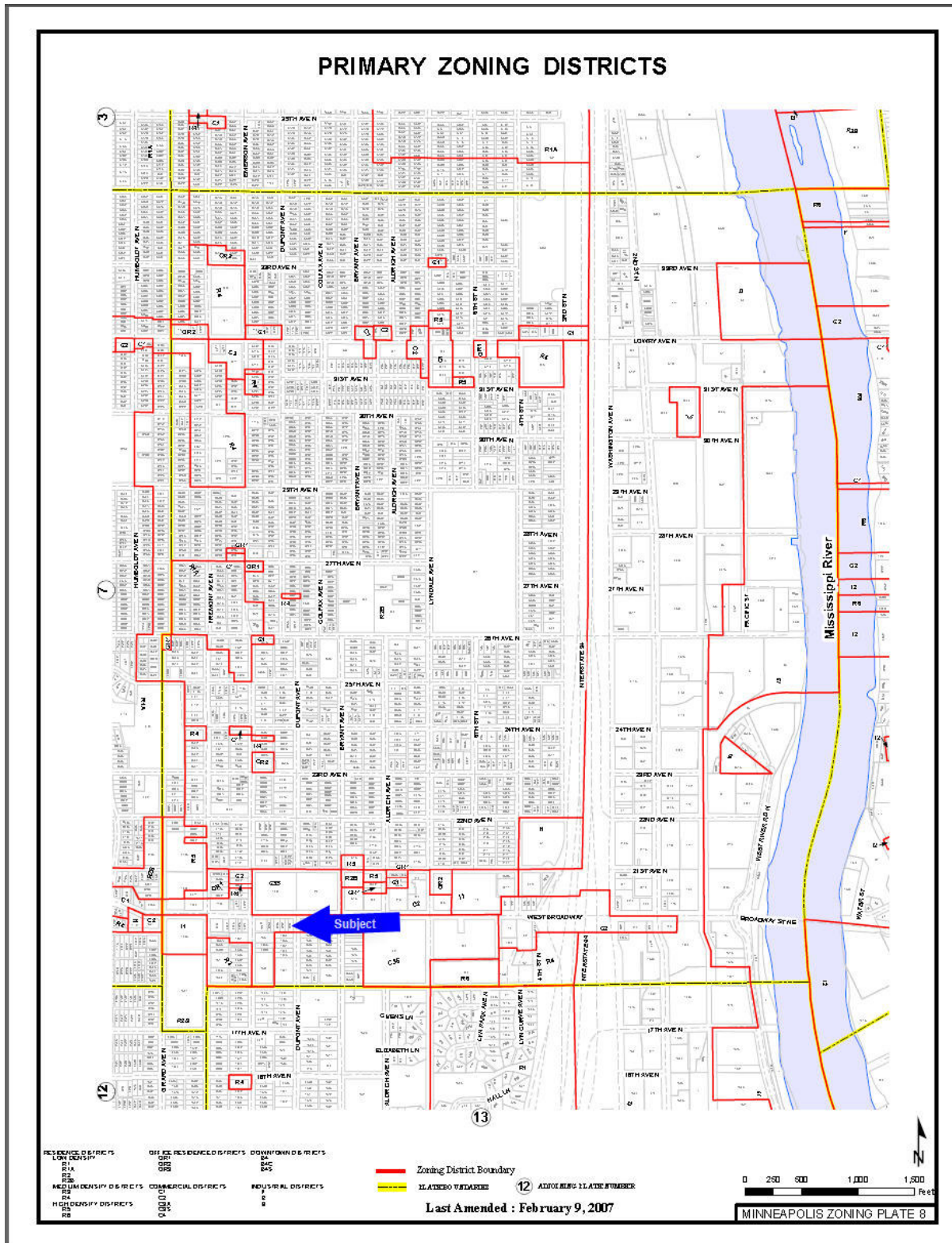
LEGAL DESCRIPTION

Lot 1, Block 22, East 44.25/100 Feet Except Street, Highland Park Addition to Minneapolis.

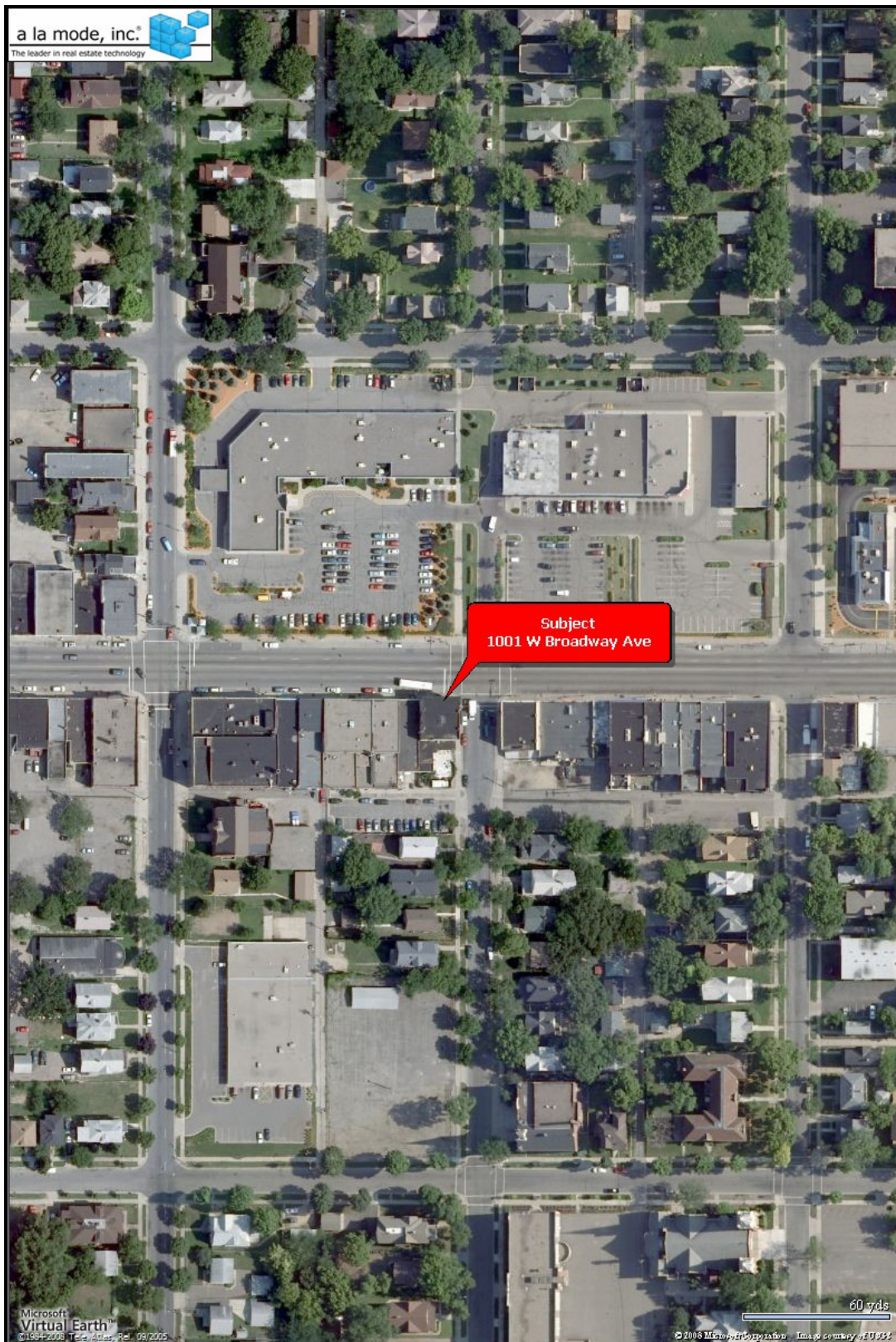
PLAT MAP



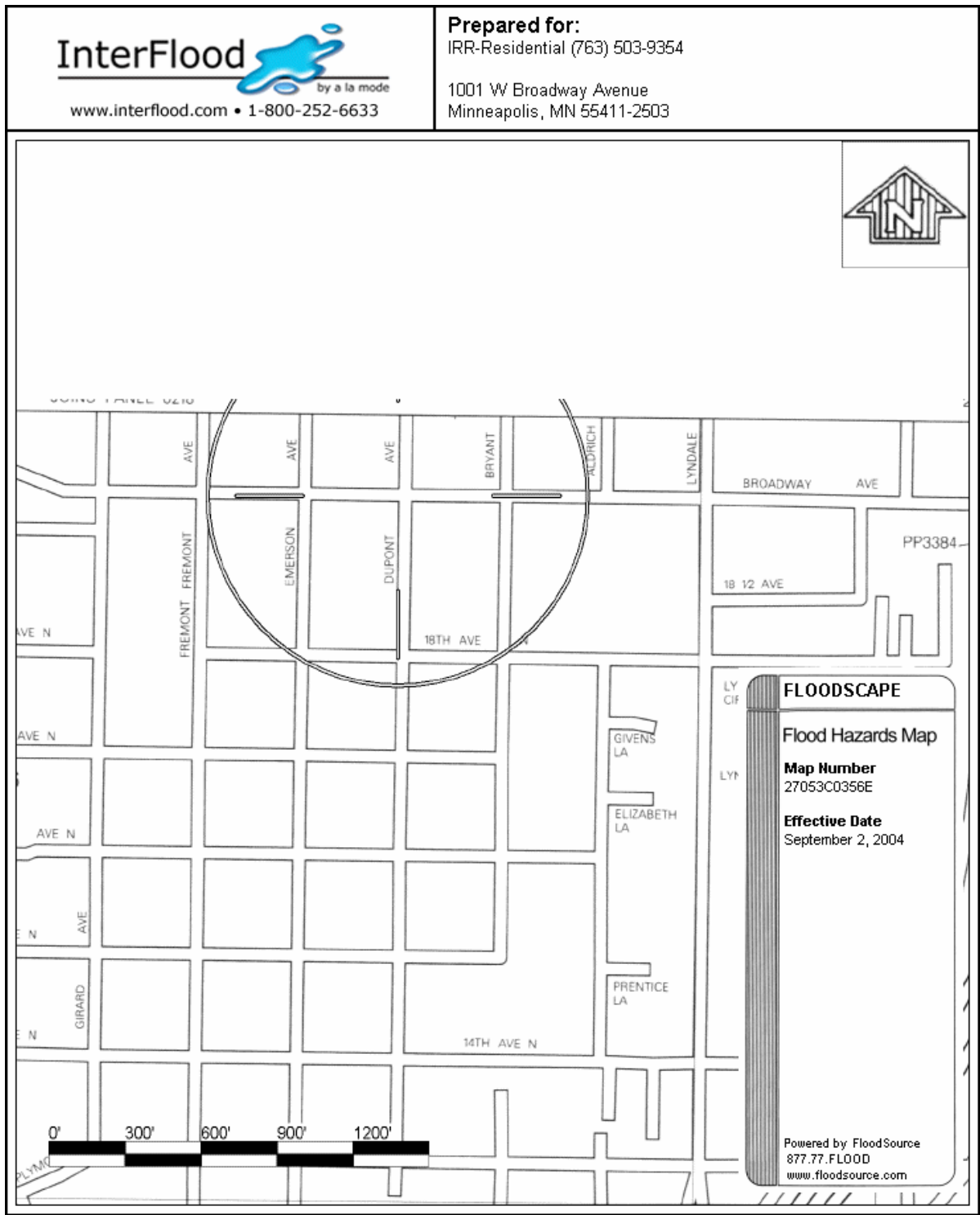
ZONING MAP



AERIAL MAP



FLOOD MAP



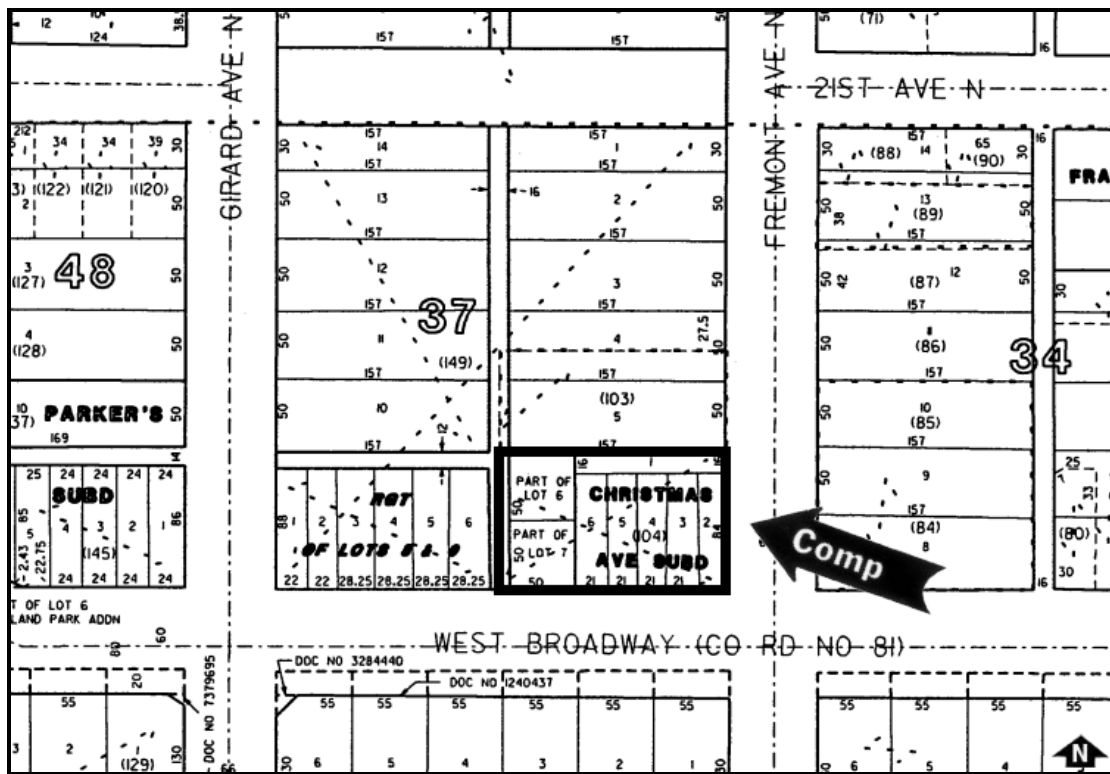
© 1999-2008 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 6,631,326 and 6,678,615. Other patents pending. For Info: info@floodsource.com.

ADDENDUM E

COMPARABLES

Land Sales

COMPARABLE LAND SALE #1

GENERAL INFORMATION

Code: 110-01-30
 Source: Public records
 Location: 1200 West Broadway, Minneapolis, MN
 Sale Date: November 2, 2007
 Legal Description: West 50 feet of Lots 6 and 7, Block 37, Highland Park Addition, and Lots 1 through 6, Christmas Avenue Subdivision, including half of adjacent vacated alley
 PID Number: 16-029-24-13-0104
 Intended Use: Daycare center

SITE DATA

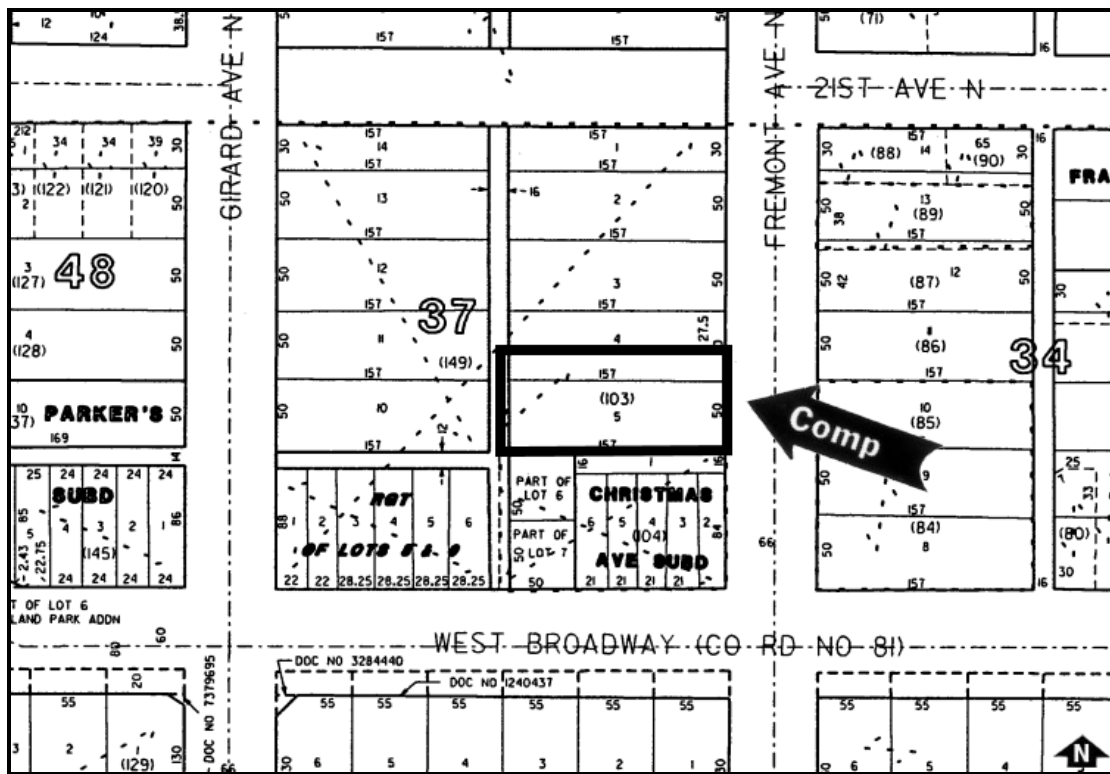
Parcel Size: 15,700 sq.ft., or 0.36 acre
 Zoning: C2, Neighborhood Corridor Commercial
 Utilities: All available
 Topography: Generally level
 Soil Conditions: Assumed stable
 Visibility: Average
 Access: Average

TERMS OF SALE

Buyer: Nonprofits Assistance Fund
 Seller: Franklin National Bank
 Financing: Cash sale
 Nominal Price: \$126,761
 Assumed Specials: \$ 0
 Total Price: \$126,761
 Price Per Unit: \$8.07 psf

REMARKS: Property was in foreclosure at time of sale.

COMPARABLE LAND SALE #2

GENERAL INFORMATION

Code: 110-01-30
 Source: Public records
 Location: 2011 Fremont Avenue North, Minneapolis, MN
 Sale Date: November 2, 2007
 Legal Description: Lot 5 and the South 22.5 feet of Lot 4, Block 37, Highland Park Addition to Minneapolis, including adjacent half of vacated alley
 PID Number: 16-029-24-13-0103
 Intended Use: Daycare center

SITE DATA

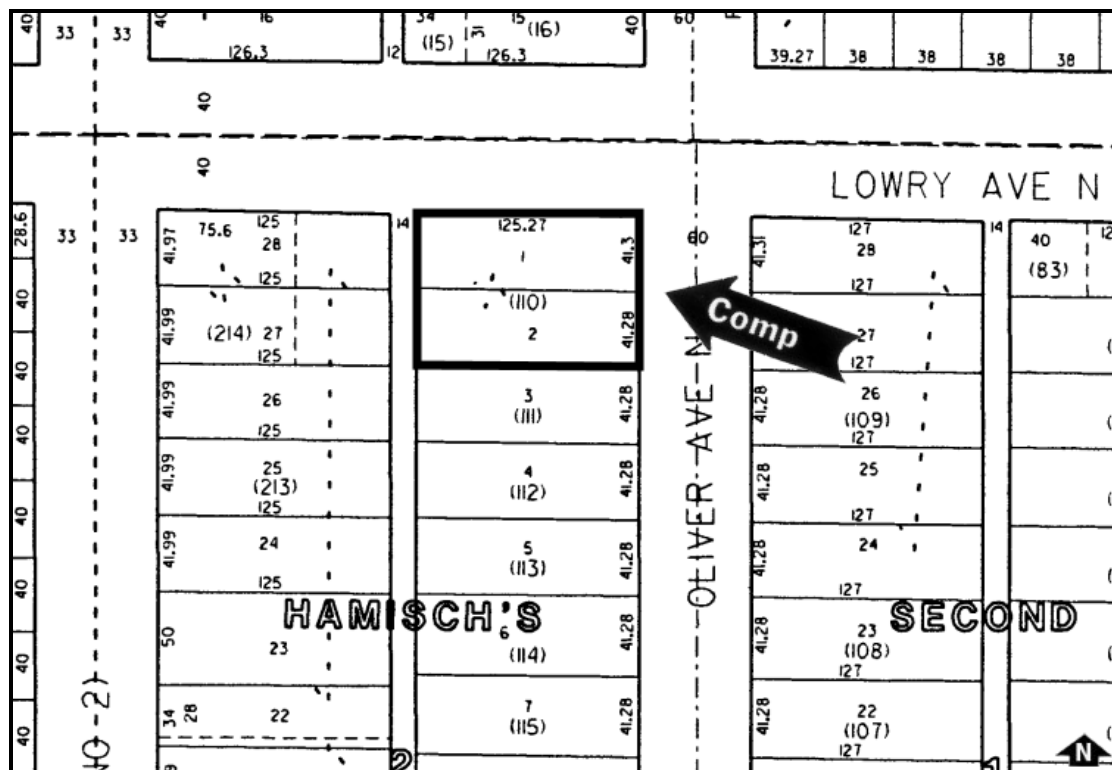
Parcel Size: 11,962 sq.ft., or 0.27 acre
 Zoning: OR-1, Neighborhood Office
 Residence District
 Utilities: All available
 Topography: Generally level
 Soil Conditions: Assumed stable
 Visibility: Average
 Access: Average

TERMS OF SALE

Buyer: Nonprofits Assistance Fund
 Seller: Franklin National Bank
 Financing: Cash sale
 Nominal Price: \$123,619
 Assumed Specials: \$ 0
 Total Price: \$123,619
 Price Per Unit: \$10.33 psf

REMARKS: Property was in foreclosure at time of sale.

COMPARABLE LAND SALE #3

GENERAL INFORMATION

Code: 110-01-30
 Source: Public records
 Location: 2125 Lowry Avenue North, Minneapolis, MN
 Sale Date: March 19, 2007
 Legal Description: Lots 1 and 2, Block 2, Hamisch's 2nd Addition to Minneapolis, including adjoining half of vacated alley
 PID Number: 09-029-24-32-0110
 Intended Use: Retail

SITE DATA

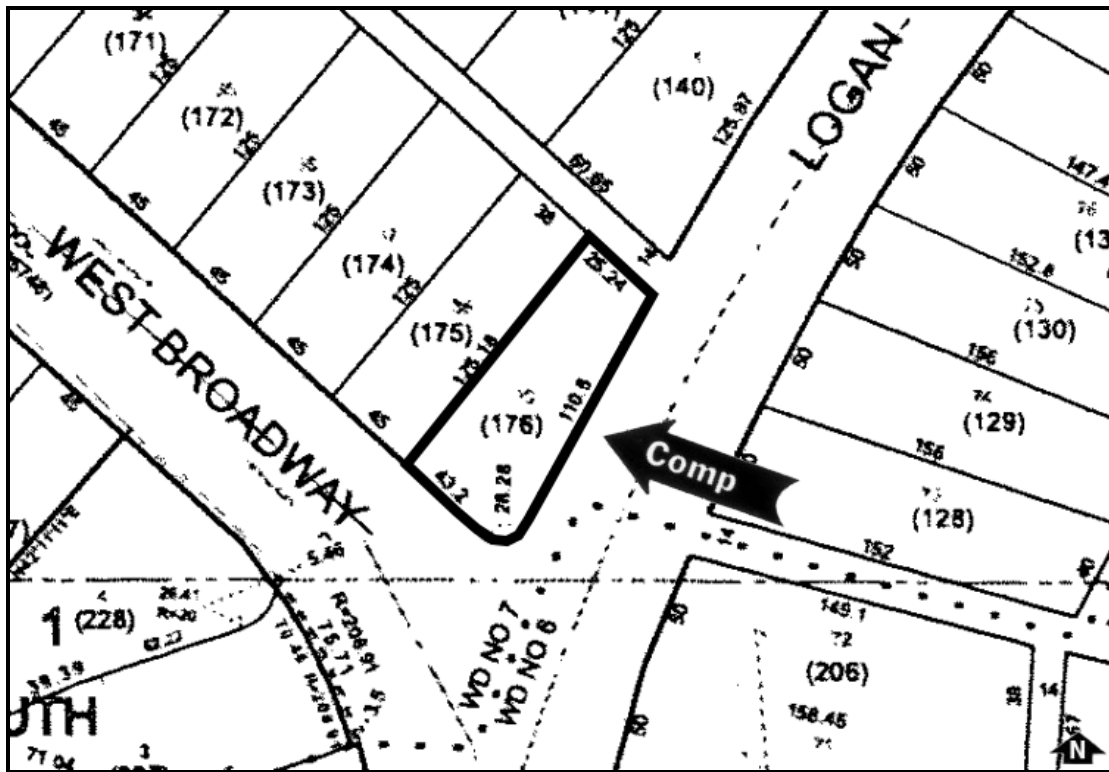
Parcel Size: 51,478 sq.ft., or 1.18 acres
 Zoning: C2, Neighborhood Corridor
 Commercial
 Utilities: All available
 Topography: Generally level
 Soil Conditions: Assumed stable
 Visibility: Average
 Access: Average

TERMS OF SALE

Buyer: Penn-Lowry Crossing, LLC
 Seller: City of Minneapolis
 Financing: Cash sale
 Nominal Price: \$239,691
 Assumed Specials: \$ 0
 Total Price: \$239,691
 Price Per Unit: \$4.65 psf

REMARKS: Property was purchased by adjacent property owner, but the buyer indicated that this had no impact on the purchase price.

COMPARABLE LAND SALE #4

GENERAL INFORMATION

Code: 110-01-30
 Source: Public records
 Location: 2028 West Broadway, Minneapolis, MN
 Sale Date: February 2, 2007
 Legal Description: Lot 39, Block 20, Forest Heights
 PID Number: 16-029-24-22-0176
 Intended Use: Commercial development

SITE DATA

Parcel Size: 4,750 sq.ft., or 0.11 acre
 Zoning: C1, Neighborhood Commercial
 Utilities: All available
 Topography: Generally level
 Soil Conditions: Assumed stable
 Visibility: Average
 Access: Average

TERMS OF SALE

Buyer: EC Investments, LLC
 Seller: Plymouth Christian Youth Center
 Financing: Cash sale
 Nominal Price: \$23,500
 Assumed Specials: \$0
 Total Price: \$23,500
 Price Per Unit: \$4.94 psf

REMARKS: Property was purchased by adjacent property owner, but the buyer indicated that this had no impact on the purchase price.

[illegible]

| | |
|--------------------|--|
| Code: | 110-01-30 |
| Source: | Public records |
| Location: | 2523 Queen Avenue North, Minneapolis, MN |
| Sale Date: | August 30, 2006 |
| Legal Description: | Lot 3, Block 2, Wenz Addition to Minneapolis, including adjacent half of vacated alley |
| PID Number: | 17-029-24-11-0173 |
| Intended Use: | Commercial development |

REMARKS: This site had an old building with 1,050 square feet, built in 1933, that was razed. Property was purchased by adjacent property owner, but the buyer indicated that this had no impact on the purchase price.

ADDENDUM F

LETTER OF AUTHORIZATION



7111 West Broadway, Suite 201
 Brooklyn Park, MN 55428
 Phone Number: 763-566-3606
 Fax Number: 763-503-9464

Letter of Engagement for Appraisal Services

**RE: MARKET VALUE APPRAISAL WITH A SUMMARY REPORT FOR THE PROPERTY
 LOCATED AT 1001 West Broadway, Minneapolis, MINNESOTA**

It is agreed by the parties that **Integrated Commercial Appraisal Partners** will provide the appraisal services as requested in writing by the ^{Estate} lender ("Client") signing this engagement letter. The fee for this appraisal will be \$3,000.00. \$1,500 due at time of inspection and \$1,500 due upon delivery of the report. We will deliver a report on October 3, 2008 after receiving authorization to proceed and receiving all necessary materials. Three copies of the report will be provided; additional copies are available at \$50.00 each. **Integrated Commercial Appraisal Partners** agrees to complete all appraisal services in a professional manner complying with all USPAP Standards, State of Minnesota Law and any Supplemental Standards associated with a Federally Related Transaction. The appraiser completing the report on behalf of **Integrated Commercial Appraisal Partners** shall be required to have an Errors and Omissions Insurance Policy in force for an amount no less than \$500,000.

Payment for the appraisal will be the sole responsibility of the Client represented by the party signing this agreement unless otherwise agreed in writing. Any C.O.D. appraisal orders must be indicated as such at the time of order and will be the responsibility of **Integrated Commercial Appraisal Partners** for collection of the appraisal fee from the borrower. Payment may be made by cash, credit card, money order or personal check with address, phone number and drivers license. All personal checks will be processed via an electronic transfer and must be cleared prior to completing the appraisal.

Terms of payment for appraisal reports that are not C.O.D. to the borrower shall be net 10 days with up to 30 days at no additional fee. A 1.5% per month interest fee may be assessed if the invoice is not paid in full after 60 days. After 90 days if the invoice is not paid in full the account will be turned over to a collection agency for further action. All costs associated with collection activities shall be the responsibility of the Client. An invoice will be provided with each appraisal, along with a statement through the 15th and 31st of each month. The Client signing this letter is fully responsible for payment for all appraisals requested, regardless of the outcome of the appraisal and whether or not the loan closes. No fee will be assessed if an appraisal request is cancelled prior to completion of the physical inspection. If the physical inspection has been completed, the fee will be prorated for the work completed at the time of cancellation request. The Client signing this agreement also agrees to complete a "New Accounts Form" which has been attached.

Signatures:

Integrated Commercial Appraisal Partners

A handwritten signature in black ink, appearing to read "Brian L. Manthey".

Name: Brian L. Manthey
 Title: Managing Director
 Company: Integrated Commercial Appraisal Partners
 Date: September 9, 2008

Agreed and Accepted by:

A handwritten signature in black ink, appearing to read "Trent C. Inge".

Name: Trent C. Inge
 Title: Personal Representative
 Company:
 Date: 9/12/08

Office Independently Owned and Operated